

» Annual Report  
2006

ORASC  M  
HOTELS & DEVELOPMENT



Orascom Hotels and Development (OHD) is a global town developer specialising in planning, building and operating integrated, self-sufficient tourist and residential towns around the world.

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**41%** Increase in consolidated revenues  
 LE 963 million 2006 (2005: LE 683 million)

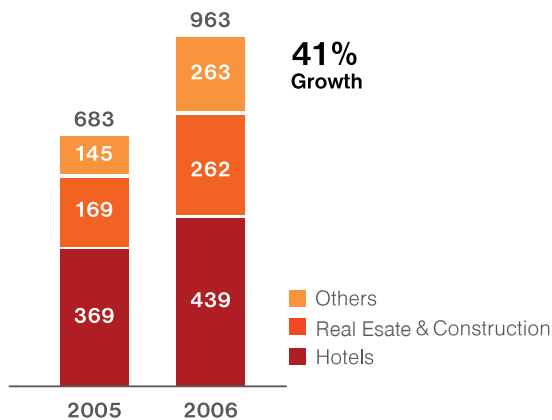
**76%** Growth in net profit LE 294 million  
 (2005: LE 167 million)

**54%** Growth in land bank 100.9 million m<sup>2</sup>  
 (2005: 65.3 million m<sup>2</sup>)

**40%** Growth in market capitalisation  
 LE 8.1 billion (2005: LE 5.8 billion)

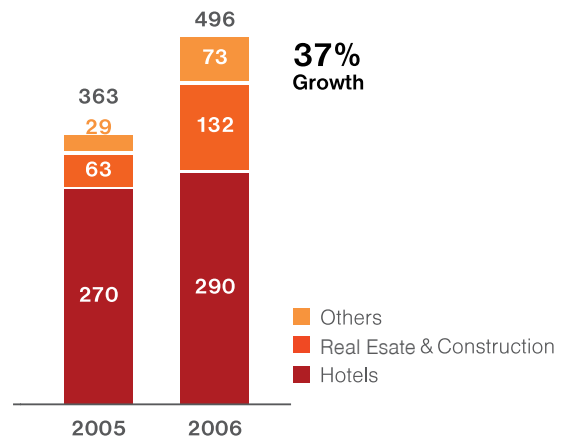
**Total Revenue**

in LE millions



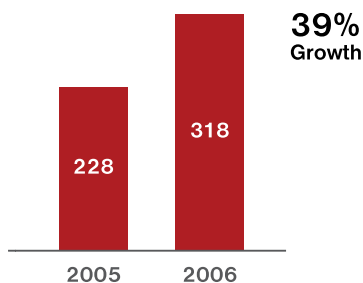
**GOP**

in LE millions



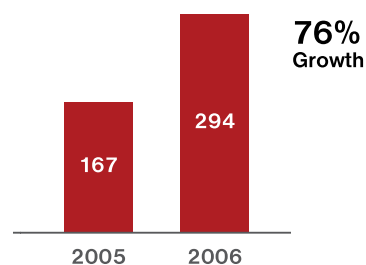
**EBITDA**

in LE millions



**Net Profit**

in LE millions





## Year of Transformation

In 2006 we strengthened our position as a global real estate developer with a proven track record. In addition to entering new markets globally, we increased our land bank, and launched new lines of business within the real estate development sector. Our presence now reaches across three continents and seven countries.

*JAN 06*

### **Joint Venture with Club Méditerranée**

OHD entered into a joint venture with the international leisure operator Club Méditerranée to selectively develop real estate projects around Club Med hotel operations globally.

*FEB 06*

### **Rotana The Cove**

OHD signed a management agreement with Rotana to operate a four star, 196 room property in Ras Al Khaimah, U.A.E.

### **Capital Increase**

LE 400 million rights issued at par for existing shareholders as well as the allocation of 2 million shares for senior management as part of the employee stock option plan.

*APR 06*

### **Berenice**

OHD was awarded 25 million sq mt of land in Berenice, a semi-island on the southern borders of Egypt.

*MAY 06*

### **InterContinental Taba Heights**

Opening of the InterContinental Taba Heights, a 503 room five star hotel, including other hospitality-related amenities.

*JUN 06*

### **Land Bank Sale**

OHD begins to exit Egyptian Company for Touristic Resorts, sold as part of the company's trading land bank at a net gain of LE 93 million.

*AUG 06*

### **New Towers**

Moved to state-of-the-art premises to accommodate growing business needs and reflect our international position.

*SEP 06*

### **Andermatt Ruling**

For the first time in Swiss history, OHD is granted an exemption from the Lex Koller law, allowing land ownership by non-Swiss residents in Andermatt.

### **Tamweel License**

OHD awarded one of only four licenses granted by the Egyptian Mortgage Finance Authority. Tamweel Mortgage Company subsequently established with an authorised capital of LE 500 million.

*OCT 06*

### **Taba Heights Golf**

Opening of the Taba Heights 18 hole championship golf course, creating a wealth of new marketing opportunities for the resort and its hotels.

*NOV 06*

### **Garranah Acquisition**

Approval of the acquisition of a controlling stake of 51% in Garranah Touristic Group.

### **Capital Increase**

General assembly approved the increase of capital to LE 2 billion through rights issue.

*DEC 06*

### **Budget Housing**

Establishment of Orascom Housing Communities (OHC) for low income housing projects starting with 50,000 units on a 9.2 million sq mt site in Greater Cairo.

# OHD's success in 2006 drives our continued commitment to our goals, building on and developing our business strategy and moving forward ensuring our growth and driving shareholder value.



Dear Shareholders,

I am pleased to report that 2006 has been a tremendously successful year for OHD. Our first annual report and accounts marks a new stage in our growth, detailing a year of transformation and signaling commitment to our goal of becoming a world leader. We have proven ourselves as a well established Egyptian company and are now demonstrating our capability as a fully-fledged international player.

## Performance

In 2006 we delivered an outstanding increase in profitability, with gross operating profits up 37% to LE 496 million, combined with an impressive revenue growth of 41% to LE 983 million (2005: LE 683 million). This was driven by a significant contribution from real estate sales and service-related revenue streams complemented by our hotel business.

The real estate, construction and services businesses witnessed exceptional growth in their contribution to the top line, increasing from 45.9% in 2005 to 54.4% in 2006. Revenue from these sectors increased from LE 314 million in 2005 to LE 524 million. The main driver of this growth was real estate sales in Egypt. Total year end sales reached LE 262 million, a growth of 55% (2005: LE 93 million).

Other related real estate revenue increased by an impressive LE 117 million reaching LE 263 million in 2006 – evidence of the maturity reached in El Gouna and marking the start of positive contributions from Taba Heights. Real estate and its services is a key development area for OHD, and we place great emphasis on its impact upon the bottom line.

The hotels sector remained a solid contributor and achieved a healthy growth of 19% in revenues recording LE 439 million (2005: LE 369 million). This improvement in revenue was mainly a result of higher occupancy in El Gouna and greater operational efficiencies throughout OHD properties. As we move forward with a greater international prominence, we expect to be able to capitalise on our increased presence and size in this sector to further improve operational profitability.

Debt was extensively reduced during 2006 as we continued our ongoing commitment to improving our capital structure. We cut net debt by 35% to LE 392 million (2005: LE 603 million) and reduced net debt to equity ratios for the year to 0.43x (2005: 0.71x), utilising the net proceeds from the capital increase.

Total asset value in 2006 increased by LE 844 million, registering an impressive LE 3.7 billion and 29% year on year growth. As OHD has never revalued any of its land banks or hotel properties since its inception, the total reported asset figure in 2006 does not accurately reflect the underlying market value. A key objective going forward is to revalue assets to demonstrate our true value to the market.

Another key development for OHD is the formidable but vital task of issuing our consolidated financial statements for 2007 under the International Financial Reporting Standards, in addition to those required under Egyptian GAAP. We believe this further demonstrates our commitment to our global vision and to cementing our credibility in the international business arena.



## Business Development

During 2006 we continued to increase our international presence while improving the profitability of existing towns in Egypt.

Our land bank, by year end, stood at 100.9 million sq mt, an increase of 54% over the previous year (2005: 65.3 million sq mt). A breakthrough for OHD in 2006 was the establishment of our first European project, covering a total of 1.38 million sq mt of land in Andermatt, Switzerland. In early 2007 we also announced a further 15 million sq mt in Morocco, which is not yet reflected in our figures.

To continue our commitment to sustainable development, we extended our strategy to include developing affordable housing across Egypt. We established Orascom Housing Communities (OHC), through which we intend to provide affordable housing to low income Egyptian families with the same care and commitment applied to all OHD developments.

During 2007 OHC will commence construction on the first plot of land: development of an initial 9.2 million sq mt outside Cairo at 6th October City. Further discussions are in place between the Government and OHD concerning developments at El Fayoum and the Red Sea region, which will be an exciting second stage for the newly formed company.

## People

During 2006 we redefined management roles and the board structure to capitalise on the extensive talents and experience of our team. This development is designed to support the requirements of our growing operations in Egypt and abroad.

We have adopted a matrix style management approach, with country heads responsible for local operations supported by a management committee to oversee our four main business segments: Hotels, Construction, Real Estate and Destination Management.

We continue to place great emphasis on recruiting the highest calibre individuals and remain committed to continued career development and training opportunities.

## Outlook

I am pleased with our results and progress this year and the integrated business model we have created has best positioned us to achieve our future goals as a company.

The market for international real estate is forecast to continue its strong growth. To capitalise on this potential, we will focus our strategy to acquire substantial land banks around the world, ahead of the competition, to secure long term growth on preferential terms and build up a solid asset base. This strategy will enable us to drive forward our goal of launching an OHD town every year.

OHD's increasing presence within the international market means we are well placed to capitalise on the continuing demand for overseas real estate. To ensure the success of our towns, we will build on our strong and successful partnerships with industry leaders and constantly improve our offering to drive demand.

Looking forward, OHD's track record and careful, phased approach to development together with our continued commitment will ensure the successful execution and delivery of our projects, delivering results and driving shareholder value.

A handwritten signature in black ink, appearing to be 'S. Sawiris', written in a cursive style.

**Samih Sawiris**  
*Chairman and CEO*



## Proven Track Record

OHD is firmly committed to the long term development and the sustainability of its resort towns.

From the earliest planning stage, we consider every aspect of the community's needs, from facilities and infrastructure to town governance structures. The result differentiates us from our competitors by offering a holistic range of services and amenities, economic support packages and management guidelines.

A key long term value driver for OHD is its land bank, which it acquires at referential prices. OHD's first and largest resort, El Gouna, has been the benchmark for this model, with a total land area of 37.8 million sq mt. Only 9 million sq mt have been developed to date, under carefully controlled plans.



Through this phased development strategy and by owning all surrounding land, OHD is the sole beneficiary from the value drivers within its towns.

This model protects the natural environment and financial investment from any potential reduction in value due to overdevelopment of the surrounding areas.

This proven model gives governments the confidence to award land in other regions for development at preferential terms.

In 2006 OHD continued in its strategy to grow its international portfolio, entering new markets in six countries outside Egypt.

## Growth in International Presence

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### **Oman**

OHD has secured land on four different sites in Oman with a total area of 22.8 million sq mt. OHD owns a 70% majority stake in the joint venture with the Omani Ministry of Tourism.

### **Switzerland**

The first European resort announced as part of OHD's international expansion is Andermatt in Switzerland. 1.38 million sq mt of land will be developed placing Andermatt at the forefront of Europe's ski and golf resorts.

### **Mauritius**

The furthest OHD location is the Albion Village in Mauritius, where a joint venture with the internationally renowned leisure company Club Méditerranée will witness the development of high value real estate units for sale alongside the resort.

### **Morocco**

Morocco is the most recent country to announce its collaboration with OHD in early 2007, adding 15 million sq mt to OHD's rapidly increasing land bank. OHD will hold a 70% majority holding and has begun the planning phase.

### **U.A.E.**

A major deal in the United Arab Emirates saw the development of a seaside destination in Ras Al Khaimah. The Cove includes a four star, 196 room hotel along with waterfront chalets, apartments, and commercial centre on 400,000 sq mt of land.

### **Jordan**

OHD holds a 19% stake in the development of Tala Bay on the Gulf of Aqaba. This luxury resort neighbours Taba Heights in Sinai and the two destinations are connected via a Red Sea ferry. The 2.7 million sq mt development includes hotels, approximately 1,000 real estate units, a golf course, and sailing marina.



**MOROCCO**

Chbika

**SWITZERLAND**

Andermatt

**EGYPT**

1. El Gouna
2. Taba Heights
3. Amoun Island
4. El Fayoum
5. Berenice

**JORDAN**

Tala Bay

**U.A.E.**

The Cove

**OMAN**

1. City Complex
2. Jebel Sifah
3. Al Sodah Island
4. Salah Beach

**MAURITIUS**

Albion Village

# 7 countries

*OHD reaches across three continents*

Growth has been OHD's main priority during 2006. The foundation of this growth has been the investment in our personnel, bringing talented and experienced individuals onboard to carry the business forward.



## Investing in People

### People in our Operating Divisions

OHD redefined its business areas, successfully bringing together key business operating divisions and capitalising on the extensive international experience of the management team. As a company committed to the local populations where it operates, OHD actively seeks to create jobs and is expected to double its workforce in the next five to seven years.

#### Real Estate

*"Our people are our most competitive advantage. Therefore, we continue to invest in our most valuable resource—our associates; by providing training through high quality, renowned training providers."*

**Abdalla El Nockrashy**  
Head of Real Estate

#### Hotels

*"The investment in our frontline people during 2006 was extensive. We increased our staff by 15% and have reaped the benefits in customer feedback."*

**Claude Chesnais**  
Head of Hotels

#### Construction

*"Clarity in processes and guidelines is what enables our teams to successfully work across the main business divisions—the Real Estate team and the Destination Managers—to ensure that resort development is seamless."*

**Ahmed El Khashab**  
Head of Construction

#### Destination Management

*The team currently has four Country Managers, which will increase to seven by the end of 2007 to meet the demands of our growing international presence. These managers report directly to the CEO to ensure the implementation and delivery of the development strategy.*

» 13,000 employees



## People and employment

**During 2006 100% of OHD employees earned a bonus through work.**

Each project built generates significant employment opportunities through job creation in the hospitality and construction sectors. We recognise that as a real estate developer and a hotel company, our 13,000 employees are key to building our vision. In El Gouna alone some 5,000 people are employed in the daily running of the resort and town. Employees are housed in comfortable, affordable housing, complete with its own downtown area with restaurants and facilities. OHD provides local schools for employees' children, as well as social and recreational activities – for example football teams, a church and mosque.

*OHD runs an employee healthcare scheme, 70% funded by OHD and with a contributory option of 30%.*

## Bonus and incentive schemes

We encourage performance incentives for our hotels and businesses. The Real Estate Division runs incentive schemes for hotel employees based on referrals of guests for property purchase. Employees and the hotels both receive bonuses for selling property through the recognised programme.

All divisions run the OHD annual review programme, which is based upon a structured evaluation by line managers. During 2006, 100% of our salaried employees earned a bonus through work.

## Employee stock option plan

As our success continues to grow, retention of our best people is critical to the future success of the company.

During 2006 we introduced an employee share ownership scheme to encourage talented professionals to remain within OHD and aid its growth and expansion. The scheme is also designed to attract the best international talent to OHD. We anticipate 2007 will see a full take-up of the 2 million shares allocated towards this plan.

## Professional development

Our focus on staff training is critical to our philosophy of offering employees development opportunities. OHD offers many training options for its employees, including financing employee MBA education and issuing various training scholarships.

## Service training

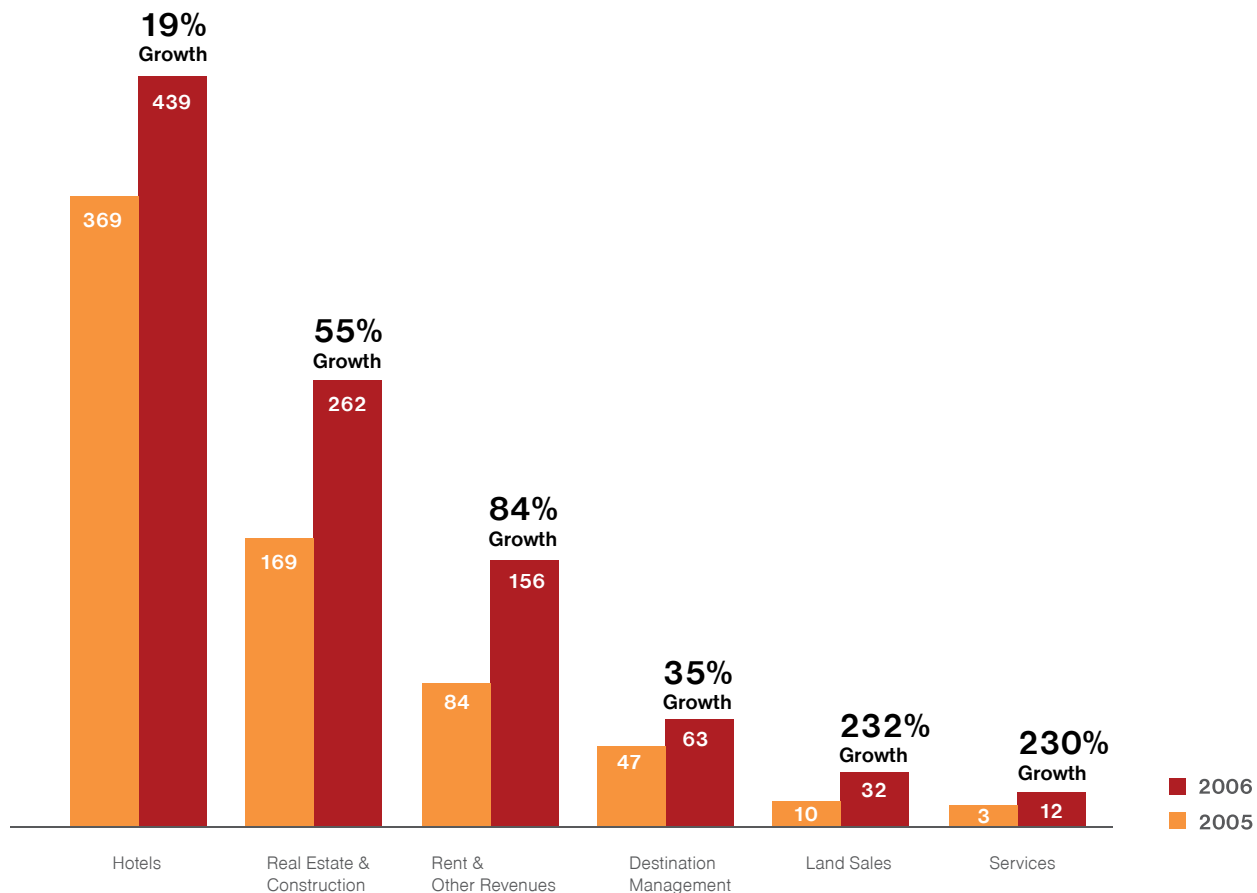
We expect the very highest standards from our hotel operators and their teams. We invest not only in training our immediate workforce, but in training the next generation of hoteliers. By collaborating with the German Agency Technical Co-operation, we have created a centre of excellence in the El Gouna Hotel School, where 120 students are already working towards qualifications in all aspects of hotel operations.

## Operational Review

OHD operates through four main divisions:  
Real Estate, Hotels, Construction and Destination Management.

### Operating Revenues by Sector

in LE millions



## Hotels

By the end of 2006, OHD owned 19 hotels between El Gouna and Taba Heights, offering 4,312 rooms. El Gouna operates 14 hotels, ranging from two to five star properties, with a room capacity of 2,480. Taba Heights has a room capacity of 1,832 from its five hotels, all between four and five stars.

A key objective for OHD is to expand room capacity, with a target of 10,000 rooms by 2010. To facilitate this, OHD will supplement its organic growth with acquisitions of operational properties to support the strategy. In 2007 the acquisition of a controlling stake in Garranah Touristic Group will be finalised (subject to certain performance criteria) adding 683 rooms to the room inventory as well as adding the services of a well established tour operator.

**Overall, hotels revenues for 2006 reached LE 439 million (2005: LE 369), marking an impressive 19% increase coupled with a growth in gross operation profit reaching an all time high of LE 195 million in 2006.**

## Construction

OHD relies on the expertise of the Construction team to deliver high quality construction projects, on time and with good margins. Revenue from delivered construction grew by 55% to LE 262 million, compared to LE 169 million in 2005.

Within the region labour costs are low and this factor, coupled with the relatively low cost of materials, enables OHD to offer a desirable end product at a comparative discount over its main competitors within Europe. Construction projects cover all facets of OHD's business, from desalination plants and roads to the highest specification luxury property.

**From its own brick factory at Taba Heights to its expert craftsmen, the Construction team is instrumental in OHD's town development.**

During 2006, the key highlights for the Construction division were: the completion of the new InterContinental hotel at Taba Heights, the intensive upgrade and extension programmes for hotels throughout El Gouna and projects completed for the Real Estate Division. Other divisions reliant upon the Construction team were Orascom Housing, with orders for hundreds of employee homes and the Town Services team, who took control of two desalination plants amongst its substantial orders.

**4,312 rooms**  
*Total hotel rooms in 2006*

**65,000 m<sup>2</sup>**  
*Total area built in 2006*

**80% off plan sales**  
*New marina real estate project in El Gouna*

**20,000 residents**  
*Population of OHD towns in Egypt*

## Real Estate

The development of a far reaching distribution network was a successful target in 2006. Our newly created Channel Development department focused on defining an international network and recruiting world renowned agents as partners. In addition, the Real Estate department independently showcased its products at three of the most prominent international travel exhibitions during 2006, gaining exposure and further insight into the global market.

In addition to improving distribution capabilities, we moved to enrich our portfolio with businesses that complement our product offering. We established the Real Estate Financial and Insurance department; offering our customers an array of possibilities from short to long term rentals, and Property Management Services; offering a full range of property management and housekeeping services.

Our efforts have been well rewarded; year end undelivered sales stood at LE 108 million, of which LE 64.3 million constitute new sales in 2006. Similarly, Real Estate revenue contribution has grown to 27% of the total group revenue, establishing real estate as a key growth sector in the company.

**In 2006, El Gouna sales boasted the highest price per m<sup>2</sup> on the Egyptian coast**

## Destination Management

Effective management and upkeep of our towns is essential. We deliver basic services in our towns through a conglomerate of subsidiaries amounting to 55 operational companies directly owned and controlled by OHD. As part of our site development in El Gouna, we operate over 15 service facilities from maintenance to marina management.

The Destination Management team also works closely with the regional marketing functions across the Hotels and Real Estate divisions to bring OHD towns to the attention of the overseas property investor. In particular, recent marketing collaborations in France and Switzerland have sought to increase the market share of these nationalities within the towns. By encouraging a truly international community, the towns become vibrant, diverse communities which, in turn, attract a more discerning level of home owner.

**During 2006 revenue from the Destination Management division almost doubled from LE 135 million to LE 231 million.**

The two areas that saw significant increases were rentals (shops, restaurants, office space) and operating revenues from destinations such as utilities and maintenance.

# Existing Towns

## El Gouna



### El Gouna key figures

**45%**  
GOP margin

**73%**  
Hotels' occupancy rate

**LE 275**  
Hotels' average room rate

**LE 380**  
Hotels' REVPAR

**LE 10,000 per m<sup>2</sup>**  
Average real estate sale price

**37.8 million m<sup>2</sup>**  
Total land area

**US\$ 460 million** (ERA JUNE 06)  
Residual land bank value

### Key attractions

- International Marina
- 22 kms from Hurghada International Airport
- 14 hotels
- 652 villas
- 1,489 apartments
- 100 bars and restaurants
- 18 hole golf course

### El Gouna is the flagship in the OHD portfolio.

A private beach town built on 10 km of Red Sea coastline; El Gouna is the largest project of its type in the MENA region. Since it was established almost 15 years ago, the town now houses a population of around 15,000 inhabitants, boosted by a constant flow of hotel guests.

El Gouna benefits from year-round fine weather, beautiful scenery and the modern day amenities demanded by today's holiday makers. Quality, variety, and sustainability are the three key characteristics that underpin the development strategy of the town.

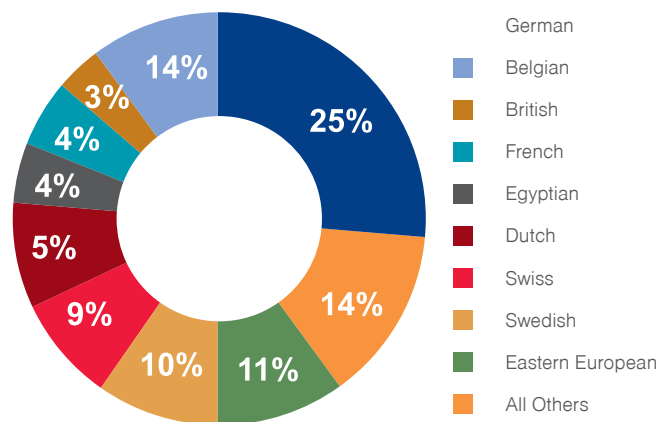
For residents, an increasing range of international-standard facilities complements the resort's location as a residential town. And our drive to constantly improve and enhance El Gouna means that we are able to attract a high calibre of clientele with the ability to reinvest and, in turn, bring new business to the town.

Only one quarter of the land bank of El Gouna has been developed, and any subsequent plans will be both measured and carefully thought out, retaining its beauty and high standards for future generations.

### Holiday resort

El Gouna has 14 operational hotels from intimate inns to five star international resorts in their own right. The majority of guests are Western European, while Egyptians and other nationalities make up the remainder.

### El Gouna guests by nationality (2006)



### Constant upgrades

During 2006 we renovated, upgraded and expanded hotels to further develop the town and increase revenue. The Construction Division works in tandem with the Destination Management team to ensure that renovations are completed with the minimum interruption to the El Gouna lifestyle, for both guests and residents.

Capacity was increased by over 30% at the Moevenpick five star resort during 2006. Through the addition of 134 rooms, all with views of the gardens, sea or lagoons, the total now stands at 554 rooms.

At the intimate marina-side Captain's Inn hotel, we have added four new boutique rooms and two suites, bringing the total guesthouse capacity to 48.

We also began to expand the Steigenberger Golf Resort, situated on the golf course lagoons. Due for completion during 2007, the resort will benefit from the addition of 48 rooms – a 20% increase – and a new swimming pool.

### **Raising the standards**

Ongoing development of El Gouna hotels saw further improvements throughout the year. At the Mövenpick we added a new Italian restaurant and Vienna style café to the list of eight bars and restaurants.

The main restaurant and pool at the Steigenberger Golf Resort were upgraded during 2006 to accommodate additional demand from European guests. The Steigenberger saw the addition of a fully equipped Angsana Spa, part of the exclusive Banyan Tree Group.

The 66 room boutique hotel, Dawar El Omda underwent an extensive LE 2.5 million renovation project to all rooms, buildings, and facilities, with the addition of two suites and a new massage centre.

The spas at the Sheraton Miramar and Club Med resorts were upgraded during 2006 – part of a wider upgrade at both hotels. We also began renovating the health club at the Sheraton during 2006, adding space and improving the club facilities. In addition to its spa renovations, the Club Med resort benefited from a significant upgrade to all public areas.

The Three Corners Ocean View hotel underwent an upgrade to its lobby area, after feedback from guests and staff, and two new nightclubs were added to the hotel's marina location.

An upgrade to rooms and the restaurant were completed at the Arena Inn, which is owned and managed by OHD. The independently managed The Three Corners Rihana and Sultan Bey (Optima) hotels also benefited from room renovations during 2006.

### **Quality**

We aim to work with exclusive hotel companies, with higher income guests, and our management agreements seek to support that strategy. The quality of our offering ensures that we maintain a consistent level of income from hotels. This was recently recognised in the TripAdvisor Traveller's Choice Awards 2006. The Sheraton Miramar El Gouna was recognised as one of the Top 100 Best Luxury Hotels and ranked third in Best Luxury Africa category testament to our passion for quality and innovation within our destinations. The awards are based on over five million unbiased reviews of over 220,000 worldwide hotels on tripadvisor.com, the international travel portal.

### **Residential town**

Over 5,000 families live and work in El Gouna, making it a vibrant and international town. Supporting the town's residents, we have a range of services just as you would expect in a self-sufficient location.

### **Amenities and infrastructure**

The town provides all the facilities expected by today's modern societies for everyday living, including: several pharmacies; supermarkets; banks; bakeries and butchers; an internet service provider; telecoms company; real estate sales and management companies; travel agents and general stores. It also boasts four schools, a university centre, international standard hospital, a veterinary clinic, childcare facilities, a coffee factory, local brewery and even its own farm. Each of these businesses contributes to the company income through ground rent, service usage, water, waste management and other expenses.

2006 saw the introduction of two new companies for OHD: El Gouna Investments Department and El Gouna Real Estate Services Company. Both companies have been set up by the El Gouna Destination Management team, in response to resident and visitor feedback. The Investments Department aims to help residents, or potential residents, bring small to medium enterprises into the town. The Real Estate Services Department provides services to manage properties for overseas owners. Due from these new projects, we anticipate that during 2007 income from commercial property and services will continue to increase.

### **Leisure**

Over 15 new bars and restaurants opened during 2006, including the Mamounia Moroccan Restaurant and Peanuts Bar, which demonstrates a commitment to variety within the town, whilst retaining the overall quality.

The downtown area of El Gouna is undergoing redevelopment, renovating former employee housing to rental apartments. This is targeted to be complete by 2008 and involves a US\$ 1.2 million renovation budget for the area.

During 2006 we began development on our third marina basin, an extension of the existing Abu Tig Marina catering for mega-yachts. With increased berths and a more residential feel to the development, the new marina basin will target high-net worth residents. The new marina will be ready to receive yachts during early 2008.

**OHD generates income from all of the commercial properties within the town. In addition, all services and amenities are provided through OHD subsidiaries, thus ensuring further revenue remains within the company.**

### **Education**

Our formation of the local primary and secondary schools is further evidence of our belief in acting locally. In addition to these establishments, residents of El Gouna and nearby towns benefit from a high-quality International School teaching the British curriculum in tandem with the Egyptian Thanaweya Amma. The school is in its eighth operational year, and now teaches over 400 children up to age 18. We also have two nurseries for young children, run by residents who identified a gap in the market and opened new businesses to meet demand.

During 2006 The American University in Cairo (AUC) launched its John D. Gerhart Field Station in El Gouna. This facility provides adult education programmes in languages, IT and business studies. Marine biology activities will be added to the available options for students of the University, based at its main campus in Cairo. In 2007 we are hoping to announce a PhD course with the University of Berlin, adding further to the credibility of, and opportunities for, higher education in the region.

In 2006 we also announced our intention to build a library facility in El Gouna, with links to the Bibliotheca Alexandria. We hope to further this opportunity during 2007.

### **Health**

OHD founded the private hospital equipped with full facilities including an accident and emergency room. The El Gouna Hospital has 10 outpatient departments, from dentistry to cosmetic surgery, and also offers dialysis facilities and a decompression chamber.

International patients benefit from lower comparable prices than European hospitals, but at the same high standards. Additionally, discounts on real estate mean that hospital employees are able to bring their families to El Gouna and contribute further to the growth of the town.

# Projects under development

## Switzerland

### Andermatt



#### Andermatt key figures

**1.38 million m<sup>2</sup>**

*Total land bank*

**1,436m**

*Resort Altitude*

*Exemption from Lex Koller  
property ownership legislation*

#### Key attractions

*13 existing ski lifts  
800 hotel rooms planned  
450 real estate units  
Commercial centre  
18 hole golf course*

#### In 2006 Andermatt marked OHD's expansion beyond the MENA region.

In cooperation with the Swiss province of Uri, OHD has begun to plan the redevelopment of the Alpine town Andermatt. The land itself has been acquired from the army for preferential rates after the residents approved OHD's investment in a public ballot.

During 2006 OHD was granted the first ever exemption from the Lex Koller law, which restricts land and property ownership within Switzerland to Swiss nationals. This exemption recognises the success of our business model in delivering thriving, self-sufficient resort towns.

OHD is regarded by the local population as a force to save the otherwise dying town. After the loss of Andermatt's main employer, the Swiss military, OHD has stepped in and is creating thousands of jobs, as well as bringing in foreign investment through increased tourism and luxury development.

The new resort will be adjacent to the existing village and provide jobs and future investment opportunities for the area, building year-round attractions. In addition, our experience in hospitality will enable us to attract high quality hotel chains and travel operators to the resort.

OHD will redevelop the town by complementing the existing Alpine activities and superior ski location with golf, shopping, water sports, luxury real estate, and a range of hotels. In addition, we will provide the full service amenities and management facilities typically found within OHD towns. Development will commence during 2008.

## Taba Heights



**Taba Heights is a beautiful peaceful development, situated amongst the mountain ranges of the Sinai peninsula.**

An exclusive location, Taba Heights was the second to follow OHD's model for self-sufficient resort towns. Situated along five km of shoreline the town's main selling point is its leisure facilities, easy access to four countries, and luxury hotels.

### Taba Heights key figures

**30%**  
GOP margin

**46%**  
Hotels' average occupancy rate

**LE 169**  
Hotels' average room rate

**LE 210**  
Hotels' REVPAR

**4,3 million m<sup>2</sup>**  
Total land area

**US\$ 50 million** (ERA JUNE 06)  
Residual land bank value

**LE 439 million**  
Revenue from Hotels in 2006 (2005, LE 369 million)

### Key attractions

International Marina  
25 kms from Taba International Airport  
5 hotels  
1,405 residential units planned  
37 bars and restaurants  
18 hole championship golf course

### Raising the standards

April 2006 saw the latest addition to Taba Heights' impressive list of five star hotels, with the midyear opening of the InterContinental resort. At LE 200 million, this 503 room hotel, is the latest in a string of luxury hotel operators to open in OHD towns. Another new restaurant has opened in 2007: the Brid Nest Thai restaurant is part of the InterContinental hotel and brings another menu to Taba Heights' array of dining options.

The Sofitel was ranked number one for hotels in the Taba region by TripAdvisor.com in the Travellers Choice Awards 2006, with a steady stream of satisfied customers. To maintain our standards and high calibre of guests, the hotel began a large upgrade programme during 2006. During 2007 this programme continues with an extension, which will increase capacity to 442 guest rooms, a 50% increase in room capacity. As part of this extension we will also enlarge the main restaurant and the intimate Mediterranean restaurant.

### Residential real estate

The Egyptian government currently prohibits the sale of land in the Taba area to overseas nationals, thus Taba Heights is managed almost exclusively as a holiday destination. Whilst we operate our services to the same standards as in El Gouna, this is on a less visible scale, due to the lesser demands of a smaller population. Lifting this restriction, to enable us to develop our planned real estate units, is a key objective of the Destination Manager and the OHD Management Team.

### Quality

As with all OHD resorts, the key to our success is quality and sustainability. Taba Heights' five luxury hotels have four spas between them, plus numerous additional facilities to attract a high level of discerning guest. During 2006 the popular spa at the Sofitel was upgraded to enhance its facilities; we also improved the beach area and added a jetty for water sports enthusiasts. In 2007 the hotel will have a new health club to add to its facilities.

In October 2006 the 18 hole championship golf course was completed, opening up a new range of marketing opportunities for hotels. Promoted as the most beautiful golf course in Egypt, it is possible to see three countries from its greens. It also has five tees per hole, enabling each game to be as difficult as required by individual players. We also began to expand the Steigenberger Golf Resort, situated on the golf course lagoons. Due for completion during 2007, the resort will benefit from the addition of 48 rooms – a 20% increase – and a new swimming pool.

### Environmental improvements

During 2006 the Destination Management team worked with the Construction Division to create new walkways linking the resort hotels to the downtown area. A five km promenade was also built linking all the hotels together in a magnificent beachfront walk. Taba Heights' resort hotels have to adhere to the same strict standards put in place by OHD to protect our natural environment. We reuse and recycle everything from water to plastic bottles and hotel waste.

### Marina

One of the main attractions of the Red Sea is its incredible dive sites and the marina at Taba Heights is a gateway to these sights. A fully functioning port, it is recognised as an official international port of entry to Egypt. This is particularly attractive for OHD in business terms as it links the sister sites of Tala Bay, Jordan and El Gouna. The marina also hosts the largest water activity centre on the Red Sea, which brings together diving, water sports and restaurants in a superb waterfront location.

## United Arab Emirates

### The Cove, Ras Al Khaimah



**The UAE has seen massive real estate growth** over the past few years, with Dubai taking the lion's share of the development and profits.

Ras Al Khaimah has been more moderate with its planning and we believe the destination will benefit from this phased development in the long term. Its planning strategy complements our own business model in its desire to develop carefully and with consideration for the future.

Work began on The Cove during 2005, when the Government of UAE invited OHD to develop a residential resort. The main bulk of the project was undertaken during 2006 with the announcement of an agreement with the management company Rotana, a renowned operator specialising in Middle East properties. It will manage The Cove Rotana Resort and Spa, an exclusive four star hotel with a distinctively luxurious feel.

#### The Cove key figures

**400,000 m<sup>2</sup>**  
*Land under development*

**LE 12,000**  
*Average real estate sale price per m<sup>2</sup>*

#### Key attractions

*10 mins from Ras Al Khaimah Airport*  
*40 minutes from Dubai*  
*196 hotel rooms*  
*Phase I: 185 residential units, 75% sold*  
*Phase II: 96 apartments*

# Oman

## Four Projects



**OHD was awarded land at four locations in Oman, a landmark project marking it as the company's largest presence outside of Egypt.**

Through a joint venture with the Government owned Oman Tourism Development Company (OTDC), OHD owns 70% of the new development company, Muriya for Tourism Development Company. Work is scheduled to start during 2007 on the Oman developments, excluding Al Sodah Island. In Salalah and Sifah, OHD will build two self-sufficient, fully integrated resorts, following our successful development model.

The **City Complex** development, within the capital Muscat, will provide: a leisure complex; 19 km sq mt of office space; 15 km sq mt of retail space and parking for nearly 1,200 cars. A 282 room, five star hotel managed by Grand Hyatt will complete the offer and ensure a guaranteed income stream for OHD.

At **Salalah Beach** we will develop 60% of our land bank in phase one. Adding value drivers in line with current standards for resort development, we will add a town centre, three hotels and 1,200 real estate units. Hotel management agreements have been signed with Rotana, Moevenpick, and Club Med for this destination.

At **Jebel Sifah** we will initially develop 65% of the total 6.2 million sq mt, adding five hotels and over 900 real estate units. Situated 30 km from Muscat, we anticipate that Sifah will appeal to affluent residents of the country's capital, with its combination of hotels, restaurants, golf course, marina and retail facilities.

**Al Sodah Island** will be developed for the niche luxury boutique hotel market. A six star hotel, with just 30 suites, each with a swimming pool and private beach, the resort will be one of the key jewels in the OHD portfolio. The total area to be developed will be 1 million sq mt of the island's total 11 million sq mt area. One of the main attractions of the Red Sea is its incredible diving opportunities and the marina at Taba Heights is a gateway to these sights. A fully functioning port, it is recognised as an official entry point into Egypt. This is particularly attractive for OHD in business terms as it links the sister sites of Tala Bay, Jordan and El Gouna. The marina also hosts the largest water activity centre on the Red Sea, which brings together diving, water sports and restaurants in a superb waterfront location.

### Oman key figures

**22.8 million m<sup>2</sup>**  
Total land bank

**70%**  
OHD project ownership

**12.4 million m<sup>2</sup>**  
Area to be developed of the total land bank

**3,512**  
Total hotel rooms

**2,150**  
residential units

### Key Attractions

*Four resorts overlooking the Indian Ocean:  
City Complex, Muscat: city centre development.  
Salalah: natural beach and lagoons.  
Sifah: high end leisure brands within the resort.  
Al Sodah: luxury accommodation.*

# Jordan

## Tala Bay



**Tala Bay, Aqaba, was the first regional expansion of our model outside of Egypt, prompted by an invitation to develop Jordan's first resort project.**

Jordan, like other untapped areas in which OHD invests, is experiencing a property boom, largely due to a buoyant economy over recent years. Growth in 2006 was expected to stabilise at an average of 6%, a healthy rate to support resort development. Whilst residents will benefit from the low cost of living, Aqaba itself is a duty-free zone, further encouraging investment and tourism opportunities.

Similarities with our business model are also key to our investment. Tala Bay is being built upon a man made lagoon and is the largest tourism scheme in the country. The current investment is estimated at US\$ 500 million by Jordan Projects for Touristic Development, in which OHD has a 19% stake. The resort also includes four hotels, a marina, golf course and commercial facilities.

We expect to create upwards of 5,000 jobs in the region, and provide staff housing, schooling and town facilities as demonstrated within our other developments.

OHD will own and develop one of the four hotels in Tala Bay, increasing our total room capacity and driving revenue. The hotel will be operational from 2008.

### Tala Bay key figures

**2.7 million m<sup>2</sup>**  
*Land under development*

**LE 22 million**  
*OHD investment*

**287 room Marina Plaza**  
*Hotel wholly owned by OHD*

### Key attractions

*Jordan's first fully integrated destination.  
International marina with ferry to Taba Heights.  
Excursions to Petra and the Dead Sea.*

## Future projects

### Mauritius

#### Club Méditerranée Venture

We have signed a joint venture with Club Méditerranée, the internationally renowned resort owner. With an initial investment of €1 million, OHD will have a 75% share in the venture to develop real estate at select Club Med locations around the world.

The first phase of the venture is the development of 40 villas on the island of Mauritius. OHD has also retained an option to buy the hotel, as part of our strategy to increase room capacity.



### Morocco

#### Chbika

During 2006 OHD entered into negotiation with the Government of Morocco to develop an OHD town in the south of the country. The agreement will provide us with a total land bank of 15 million sq mt at Chbika in the province of Guelmim (300 km from Agadir).

With a stake of 70% OHD will build a resort boasting 2,500 hotel guest rooms, 1,750 residential units, a golf course, marina and city centre facilities.

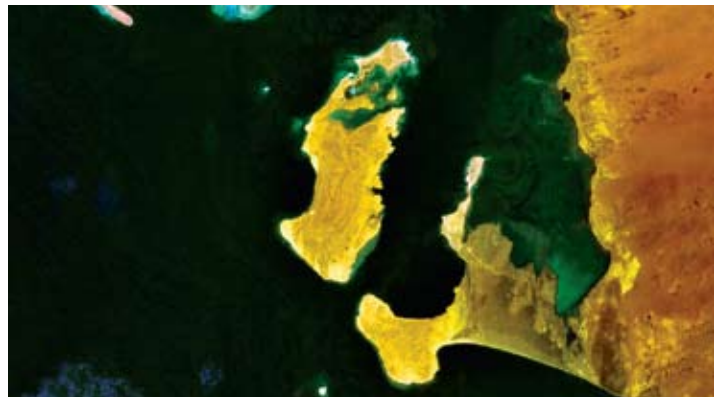


### Yemen

#### Kamaran

During 2006 OHD entered into negotiation with the Government of Morocco to develop an OHD town in the south of the country. The agreement will provide us with a total land bank of 15 million sq mt at Oued Chbika in the province of Guelmim (300 km from Agadir).

With a stake of 70% OHD will build a resort boasting 2,500 hotel guest rooms, 1,750 residential units, a golf course, marina and city centre facilities.



## Future projects in Egypt

### Berenice, Southern Egypt



Developed on a semi-island on the Red Sea coast, Berenice will be another flagship town for OHD. With a total land bank area of 25 million sq mt, the agreement with the Egyptian Government promises to deliver a luxurious high end resort, with complementary real estate and leisure offerings. The landmark project of a six star resort will set a new and unprecedented standard in Egypt.

### Amoun Island, Aswan



Development is due to commence in 2007 on a boutique hotel with 24 luxury villas. Targeting high net worth individuals, the hotel is one of our new six star hotel developments in the planning phase. We expect the hotel to be operational from 2010.

### Al Roboua, El Fayoum Oasis



OHD acquired 1.29 million sq mt of land at El Fayoum Oasis for the development of the Al Roboua real estate project on Qaroun Lake.

The target market for this development will be visitors from Cairo and its surrounding conurbation.

## New Business

### Tamweel Mortgage Financing Company

OHD obtained Egypt's fourth mortgage license during 2006 and has an authorised capital of LE 500 million and a paid in capital of LE 12.5 million increasing to LE 50 million within 12 months. Majority owned by OHD, Tamweel will create operational synergies between divisions. We expect Tamweel to play a large part in the future of Orascom Housing Communities, although the company will also benefit from offering mortgage finance to overseas investors within the resort towns. We plan to commence mortgage operations during 2007 in line with our first phase of low income housing at our 6th October City project.



### Orascom Housing Communities (OHC)



During 2006 we launched Orascom Housing Communities, a new OHD company, strategically focused on building affordable housing throughout Egypt.

**We are actively seeking to invest in new areas, diversifying to spread risk across the business.**

The results of a market study during 2006 highlighted a current deficit of over 1 million units of low cost housing within Egypt. (USAID Study, June 2006). This demonstrated a demand market, upon which OHC intends to capitalise through the development of low cost housing units and towns. As part of its goal to fulfill the deficit of low cost housing, OHC plans to build over 50,000 low cost units over the next five to seven years in the initial phase of the project.

To enable us to accomplish this mission we have been awarded 9.2 million sq mt of land in the 6th of October City on the outskirts of Cairo. We have also been offered land in El Fayoum and on the Red Sea coast.

In partnership with Mexican house-building company Homex and other U.S. based partners, we have 58% ownership of OHC. Using the proven Homex building model and IT-led labour plan we will use local materials and create jobs for local people.



#### Development of low income towns

Within the cost of the units OHC has incorporated the cost of developing the town infrastructure. This includes schools and a hospital, which will be handed back to the government for management, in addition to retail and commercial properties which will be managed privately.

OHC will offer 63 sq mt two bedroom homes on a 150 sq mt plot of land. We will also offer the option to buy up to 80 sq mt three bedroom units for a higher payment.

The Egyptian Government offers an LE 10,000 subsidy per house and we expect the costs of materials and labour to remain comparatively low. OHC's authorised capital is currently LE 600 million, with a paid in capital of LE 60 million. We estimate the total investment to be in the region of LE 2.8 billion.

#### Future growth

Given the scale of demand for low cost housing in other under-resourced countries, we believe that there is a strong market for this business model outside of Egypt. We are already planning meetings for 2007 with the Pakistani Government and Yemeni Government to discuss their social housing needs.

We are proud to be part of this project, as we believe that it is important for the development of Egypt, for employment through job creation and for social stability through community development.

As a major developer in the region, we recognise that we have a significant impact in the areas where we operate. We aim to bring employment and social improvements to every area in which we develop. As the majority of projects begin with remote and underdeveloped land, it is vital that we minimise our impact on the environment.

## OHD and the Environment

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### OHD and the environment

We are committed to sustainable environmental practices, not only as a responsible organisation but also to protect our locations that are by their very nature, long-term investments. We work hard to help preserve the natural treasures on which our success is built, especially the rare and fragile coral reefs that are a key feature of our resorts. This proactive stance towards environmental issues dates back to the 2002 launch of the Green Gouna initiative, a project aimed at establishing El Gouna as an ecotourism site.

### OHD Corporate Environmental Initiatives

- Bi-annual Earth Day for increased public awareness
- Hotel waste recycling
- Plastic recycling plant
- Water desalination projects
- Waste water management
- Hotel housekeeping (towels and linen)



## *El Gouna*

### **Environmental initiatives**

The Green Gouna environmental organisation was founded by residents in 2002, with the objective of developing the resort as an ecotourism destination. Green Gouna pursues this goal by involving the entire community in the protection and preservation of the delicate Red Sea and El Gouna environments through: education; environmental activities; and the establishment and enforcement of environmental standards and guidelines.

## *Over 80% of El Gouna waste is recycled*

### **Awards**

El Gouna is recognised as one of Egypt's most environmentally friendly holiday destinations. It has been awarded four Green Globe certificates by Green Globe International, a non-profit organization that promotes environmentally and socially responsible tourism. OHD works hard to preserve, protect and maintain the unique El Gouna environment in cooperation with local hotels, businesses, residents and visitors.

### **Hotel awards**

Green Globe Awards for travel and tourism are awarded to applicants for demonstrating responsible and sustainable environmental and social activity; and for achieving improved environmental and social outcomes. Ranging from water usage to the protection of air quality and the management of social and cultural issues, they are recognised certificates of achievement. Hotels with Green Globe certificates are:

- Moevenpick Resort & Spa
- Sheraton Miramar Resort
- Steigenberger Golf Resort
- Club Med Village El Gouna
- Panorama Bungalows Resort

### **Water management**

In building the lagoons and inlets which feature prominently in the El Gouna design, experts were brought in to design the water movement around the town. Within this system, a process for monitoring water quality was implemented that helps maintain its condition.

El Gouna produces its own water by desalinating sea and well water and utilising treated waste water for irrigation of the golf course and greenery throughout the resort. Guests are requested to participate in these efforts by asking hotel housekeeping to change room towels and bed linens only every other day.

### **Recycling and waste management**

El Gouna practices waste separation and recycles materials locally and in collaboration with other cities in Egypt. Over 80% of El Gouna waste is recycled. We even utilise recycled waste to pave our sidewalks and streets.

## *Taba Heights*

### **Underwater preservation in Taba Heights**

Diving is a major attraction of the Red Sea and we recognise our part in the preservation of the underwater environment. The resort management at Taba Heights have installed a total of sixteen mantaray moorings in the area with the help of HEPCA, an Egyptian non-profit group. A base pin is drilled into the sea-floor – away from the reef – and cemented in place, with a bright surface float highlighting the location. This method of mooring protects the reef from anchors being dropped onto the coral.

## Board of Directors

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Samih Sawiris

Onsi Sawiris

Amr Sheta

Raymond Khalifé

Alaa Saba

Hamza AlKholi

Khaled Sheta

Sherif Fanous

Karim Garranah

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**Samih Sawiris**  
*Chairman and CEO*

Mr. Sawiris founded Orascom Projects for Touristic Development and Orascom Hotel Holdings, the two companies that merged to form Orascom Hotels & Development (OHD). He is the CEO and Chairman of the Board of OHD. Mr. Sawiris obtained a degree in Economic Engineering from the Technical University of Berlin.

**Onsi Sawiris**  
*Director*

Eng. Onsi Sawiris was the founder and president of Orascom, the original family partnership involved in trading and contracting which was later to be named Orascom Construction Industries after its incorporation in 1998. Eng. Sawiris has been the Chairman of the Board of OCI since its incorporation and also serves as a director of Orascom Telecom Holding. Eng. Sawiris holds a Bachelor of Science degree in Engineering from Cairo University.

**Amr Sheta**  
*Executive Vice Chairman and Director*

A seasoned corporate investment banker with more than 18 years of experience, Mr. Sheta has served on numerous boards in a professional and personal capacity. Affiliated with OHD since 1989, he was appointment Board Member in 1998, Executive Board Member in 2005 and Vice Chairman of OHD in 2006. Mr. Sheta was educated in Egypt and the United States, and has obtained a BA in Economics and MA in Management.

**Raymond Khalifé**  
*Director*

Mr. Khalifé's expertise spans over 35 years in the hotel industry. His career started with the InterContinental Hotels Group in 1968, holding various senior executive positions in Europe, Asia and the Middle East culminating with the position of President for Middle East and Africa. He joined OHD in 2005 as Executive Board member and Chairman of OHH. Born in Lebanon and a graduate of Notre Dame, Mr. Khalife completed hotel management studies at Cornell University and studied business at the University of Houston.

**Alaa Saba**  
*Non-executive Director*

Mr. Saba is founder and chairman of Beltone Financial, an investment banking institution. Mr. Saba was a co-founder of Hermes Financial, which in 1996 became EFG-Hermes, one of the leading investment banking institutions in the Middle East. Prior to founding Hermes he was a Senior Portfolio Manager at Kidder, Peabody & Co. Inc. in New York. He holds an MS in Biomedical Engineering from the University of Pennsylvania and an MBA from Wharton Business School.

**Hamza AlKholi**  
*Non-executive Director*

Dr. AlKholi is Chairman and CEO of FADICO, a company focusing on financial resources to develop long-term projects and develops business concepts and ideas new to the Egyptian business community. FADICO's investments in Egypt are diverse and cover various business sectors including: banking and finance; hotels and tourism; manufacturing; energy development; information technology; and aviation. He is also actively a member of many local and international economic and business associations.

**Khaled Sheta**  
*Non-executive Director*

An accomplished businessman, Mr. Sheta serves as Chairman for both the Commercial International Real Estate Development Company and the International Company for Manufacturing Boilers & Steel Fabrication. He also is as Vice Chairman of the International Group for Investments (IGI), a holding company including sister companies in various industries. He holds a BA in Business Administration from the American University in Cairo. He is also an active and leading member in various community associations.

**Sherif Fanous**  
*Non-executive Director*

Mr. Fanous is the owner and Managing Director of Basco Engineering & Trading, specialised in the supply and installation of kitchen, laundry and boiler equipment for five star hotels and resorts. He is the owner and chairman of Engineering Construction Office (ENCO), an electromechanical contracting company. Mr. Fanous is also a partner and the chairman of the Egyptian International Beverages Co., a leading producer of Egyptian wine and beer.

**Karim Garranah**  
*Non-executive Director*

A veteran of the tourism industry in Egypt, Mr. Garranah is the founder of Garranah Touristic Group, a major operator in Egypt. The company owns seven Nile cruise ships, a full ground transportation fleet, ticketing and tour operator, and a hotel company with several key properties under management on the Red Sea. Mr. Garranah holds a degree from the faculty of Tourism at the University of Helwan, Egypt.

## Management Team



In order from left to right →

### **Amr Sheta**

*Vice Chairman of OHD / Executive Board Member*

A seasoned corporate investment banker with more than 18 years of experience, Mr. Sheta has served on numerous boards in a professional and personal capacity. Affiliated with OHD since 1989, he was appointed Board Member in 1998, Executive Board Member in 2005 and Vice Chairman of OHD in 2006. Mr. Sheta was educated in Egypt and the United States, and has obtained a BA in Economics and MA in Management.

### **Raymond Khalifé**

*Chairman of OHH / Executive Board Member*

Mr. Khalifé's expertise spans over 35 years in the hotel industry. His career started with the InterContinental Hotels Group in 1968, holding various senior executive positions in Europe, Asia and the Middle East culminating with the position of President for Middle East and Africa. He joined OHD in 2005 as Executive Board member and Chairman of OHH. Born in Lebanon and a graduate of Notre Dame, Mr. Khalife completed hotel management studies at Cornell University and studied business at the University of Houston.

### **Claude Chesnais**

*Managing Director of Hotel & Golf Operations*

Starting his hotel career with Hilton International, Mr. Chesnais has held various managerial responsibilities for over 22 years, most recently as VP for the Gulf and Arabian Peninsular. He also served as Executive VP for the Middle East with Helnan International Hotels and Iberotel Egypt before joining OHD in 2005.

### **Abdalla Elnockrashy**

*Managing Director, Real Estate & Development*

Mr. Elnockrashy's expertise is founded on 20 years in the international arena with a focus on sales and marketing. He is recognised for his abilities in company restructuring and revenue growth, most recently during his tenure as Executive VP for PGI/Tomberlin Group. Mr. Elnockrashy joined OHD in 2006. He was educated in Egypt and obtained an MBA from Phoenix University.

### **Ahmed El Khashab**

*Managing Director, Construction*

Mr. El Khashab brings a wealth of expertise in tourism development projects. His specialty lies in the management of projects with quality control, planning, and cost control. Mr. El Khashab earned a BS in Civil Engineering at Ain Shams University in 1975. His career has taken him throughout the region, managing large projects in Dubai, Kuwait, and Egypt. Until his appointment as VP of Construction with OHD in 2005, he served as the General Manager of Construction at Electrotharwat Co. for Contracting.

### **Samy Yacoub**

*VP Administration & Human Resources*

Extensive administration and human resources experience with Shell International Petroleum Co. (1979 to 1997) culminated in the position of Deputy General Manager. From there, Dr. Yacoub joined OHD in 1998.



**Julien Renaud-Perret**

*Senior VP International Developments*

With seven years of experience in Finance & Strategic Planning at Euro Disney and eight years as VP Development & Asset Management for ClubMed, Mr. Renaud-Perret joined OHD in 2006 to head the company's international developments. Mr. Renaud-Perret was educated in France and holds an MBA from INSEAD.

**Hamza Selim**

*Managing Director, Egypt Destinations*

Prior to joining OHD as Managing Director for El Gouna, Mr. Selim worked extensively with the Hyatt Regency, most recently serving as the General Manager for their Taba Heights property, as well as in the capacity of Area General Manager for Egypt. Other positions held with Hyatt include Regional Director of Marketing for the Middle East and General Manager for hotels in Jeddah and Dubai. Mr. Selim holds a BS in Business Administration.

**Mahmoud Zuaiter**

*Senior VP and Group Chief Financial Officer*

Mr. Zuaiter's career spans 14 years of experience with the InterContinental Hotels Group, culminating in the position of Director of Finance for the Middle East and Africa. He played a role in operations in Germany, the United Kingdom, Belgium, the Netherlands, Dubai, Saudi Arabia, Bahrain, Jordan, Lebanon, and Egypt. Mr. Zuaiter joined OHD in 2004. Educated in Germany, Mr. Zuaiter holds an MBA from Columbus University, and is a qualified accountant.

**Hani Ayad**

*VP Design & Destinations Planning*

With a Masters degree and over 30 years in the field of architecture and design, Mr. Ayad was one of the first to begin designing OHD's destinations. A key team member since 1991, he continues to play a pivotal role in developing OHD's existing and new national, regional and international projects.

**Mayar Abdel Aziz**

*VP Marketing*

Ms. Abdel Aziz has over 20 years of travel and marketing experience with renowned German travel companies such as Helios Reisen and Oft Reisen & Neckermann. Recognised for fresh marketing ideas and perceptions, her multi-cultural background is a key factor in the success of the company's international marketing activities. Ms. Abdel Aziz holds a BA in Tourism and Hotel Management, a Diploma of Guidance and marketing certificates from Pennsylvania University and Cornell University.

**Mirande Maurice**

*VP Design and Decoration*

Eng. Maurice joined OHD in 1991 and was appointed VP in the first half of 2006. With a broad range of experience in all aspects of design and furnishing for international hotel chains. She holds a BA from the faculty of Fine Arts, Architectural Division of Helwan University, Egypt.

## Financial Review

The focus of the Finance Division during 2006 was on further improving internal measurement systems, together with more disciplined reporting, budgeting and forecasting processes. The resulting financial reporting has enabled clearer planning and accountability while facilitating reward systems that promote behaviour more appropriately aligned with the creation of shareholder value in line with the group's long-term strategies.

### Improved management information systems and reporting

At the end of 2006 the Group committed itself to further improving financial and segmental disclosure.

The Group refined its activity-justified cost transfer to allocate costs more accurately. Costs at the head office were restated for 2006 to reflect the reorganisation within the Group, which saw a number of centralised functions moving into the operating divisions, including the transfer of all branch operations independently.

Critical factors in achieving appropriate performance include:

- Optimising the balance sheet risk profile;
- Integrating risk and capital management into strategy formulation, and linking this to performance measurement; and, ultimately shareholder value-based management.

This method of economic capital allocation within the Group is being run in parallel to the old system for 2006 and will further enhance internal measurement and insight.

In addition to a more accurate segmental and divisional reporting, the Group has significantly improved its planning processes. A rolling three-year plan covers the long-term strategy and growth potential of the Group as well as each cluster.

Annual budgets link into this planning process with regularly updated forecasts to enable management to respond timorously to trends that become evident.

All clusters have formal reporting frameworks and present a detailed monthly review to an operating committee comprising the Executive Board members, Vice Chairman, Chief Financial Officer, VP Human Resources and other Executive Committee members.

### Accounting Policies

OHD will be one of the first Egyptian companies to publish the transition from reporting under Egyptian Accounting Standards to International Financial Reporting Standards (IFRS). The Group will be reporting in accordance with IFRS with during 2007. This, together with subsequent amendments and clarifications made to IFRS, will result in several changes to our accounting policies.

### Financial Overview

2006 was another eventful year for OHD, delivering improved profitability from our flagship town El Gouna, while at the same time increasing our foothold outside of Egypt.

The Group's return on Investment (ROI) continued to improve, increasing from 12.53% for the year ended 31 December 2005 to 15.39% for the year ended 31 December 2006.

The improved performance for the year was driven mainly by the growth in revenue by 40% and net profit by 76%.

Total consolidated revenues for 2006 increased by an impressive 41% reaching LE 963 million, a new record for top line compared to LE 683 million for 2005.

Gross operating profit increased by 55% reaching LE 325 million as opposed to LE 210 million realised for the same period last year, while EBITDA increased by a staggering 24% to record LE 235 million, compared with LE 155 million – a margin of 23%.

Net profit and minority interest witnessed 76% growth to an all time high of LE 294 million against LE167 million for the same period last year. Despite the rights issues that took place throughout 2006, earnings per share reached LE 1.48 compared to LE 1.41 for the same period last year.

Net debt amounted to LE 392 million, compared with LE 603 million for the same period last year, as the Company continued serving its long term commitments, reducing its leverage ratio to 20% compared to 49% for the same period last year.

During Q1 2006, the Company carried out its announced policy to increase its capitalisation with every additional project embarked, whereby OHD increased its paid in and issued capital to LE 999 million following a rights issue of LE 409 million.

Furthermore, in Q4 2006, the Company's EGM approved increasing the authorised capital to LE 5 billion from LE 2 billion, and approved a secondary rights issue in November 2006 for a total amount of LE 574 million, which was executed during Q1 2007. The earlier capital increases will be dedicated to our projects in Switzerland and Oman.

Though the capital raised during 2006 was allocated for projects that are still in their early stages and thus have no contribution to the bottom line, the return on equity ratio maintained its historical level of 17% level of FY2005.

## Land Bank

One key long term value driver is the sizable land banks acquired at preferential prices. Throughout 2006, we adopted an expansionary strategy growing our land bank both locally and internationally. By year end, total land bank increased to reach 100.9 million sq mt growing by 54% compared to 65.3 million sq mt for the same period last year. This balance excludes another recent addition for an area of 15 million sq mt in Oued Chbika, Morocco which was awarded during Q1 2007.

Location	Acquisition Date	Total Area	Developed Area	Residual Land
<b>Existing towns</b>				
El Gouna, Egypt	1990	37.8	9.0	28.8
Taba Heights, Egypt	1992	4.3	3.1	1.2
<b>Projects Under Development</b>				
The Cove, U.A.E	2005	0.4	0.4	–
Oman. (4 Sites)*	2005	22.8	–	22.8
Andermatt, Switzerland <sup>∞</sup>	2006	1.4	–	1.4
<b>Future Projects</b>				
Amoun Island, Egypt	2005	0.02	–	0.02
Berenice, Egypt	2006	25	–	25
6th of October, Egypt	2006	9.2	–	9.2
<b>Total</b>		<b>100.9</b>	<b>12.5</b>	<b>88.4</b>

### Land bank (December 31, 2006)

\* In Oman, the company has four sites with a total area of 22.8 million sq mt as follows: In Muscat, a total area of 47k sq mt in the heart of the capital; Sifah, located 45 minutes away from Muscat with a total area of 6.2 million sq mt; Salalah, a total area of 15.6 million sq mt with initial development plans of only 9.5 million sq mt; Al Sodah Island, with a total area of 11 million sq mt. However, the company added only 1 million sq mt to its land bank, as this is the only part to be developed (Omitted the remaining 10 million sq mt for conservative purposes).

<sup>∞</sup> In Andermatt, the company owns a total area of 1 million sq mt while the remaining balance of 385k sq mt is leased from the local residents

## PERFORMANCE

### Profitability

Total consolidated revenues increased by 41% to LE 963 million against LE 683 million for the same period last year, reaching a new record high for the Company.

The majority of our subsidiaries still enjoy a full or partial tax exemption, accordingly the effective tax rate for 2006 was around 2% with a total of LE 5 million corporate taxes paid at year end, versus LE 2 million for the same period last year, while deferred taxes amounted to LE 10 million.

A major contributor to the 76% increase in our net profit is the sale of one of our trading land bank investments, which generated a net gain of LE 93 million. This investment represents our previously held position in the Egyptian Company for Touristic Resorts.

### Hotels

El Gouna achieved an average occupancy of 73% with an average room rate of LE 275 and a REVPAR of LE 380. While Taba Heights remained vulnerable to the impact of the late terrorist attacks as it achieved an average occupancy rate of 6% with an average room rate of LE 169 and a REVPAR of LE 210.

Hotel Name	# Rooms	Occ. Rate	ARR	REVPAR
<b>Five Star Hotels KPI</b>				
Moevenpick	420	73%	377	503
Spa / Hill Extension	134	58%	449	404
Sheraton Miramar	335	77%	383	557
Steigenberger Golf	220	60%	356	402
Hyatt Regency*	426	51%	196	241
InterContinental <sup>∞</sup>	503	16%	146	45
Marriott*	394	53%	184	238
Sofitel*	294	64%	156	255
<b>Subtotal</b>	<b>2,726</b>	<b>58%</b>	<b>289</b>	<b>332</b>
<b>Four Star Hotels KPI</b>				
TTC Rihana**	434	87%	155	291
Ocean View	238	81%	213	329
TTC El Wekala*	215	67%	86	157
Club Med	239	81%	239	562
Sultan Bey	115	79%	199	274
Arena Inn	144	63%	135	164
<b>Subtotal</b>	<b>1,385</b>	<b>79%</b>	<b>173</b>	<b>309</b>
<b>Three and Two Star Hotels KPI</b>				
Dawar El Omda	66	59%	172	207
Captain's Inn	48	75%	172	292
Turtle's Inn	28	58%	183	157
Pension Ali Pasha	34	69%	164	209
<b>Subtotal</b>	<b>176</b>	<b>65%</b>	<b>172</b>	<b>221</b>
<b>Total Portfolio</b>	<b>4,287</b>	<b>65%</b>	<b>236</b>	<b>320</b>

\* Hotels located in Taba Heights

<sup>∞</sup> Official opening in July 2006

\*\* 2 Properties

## Real Estate & Construction

### Real Estate & Construction

Total contracts signed in El Gouna during 2006 reached LE 367 million (300 units) compared to LE 442 million (517 units) for the same period last year. Despite the reduced number of units sold during 2006, property values witnessed a healthy growth over the past several years supported by a CAGR of 26%. The Company began applying the Percentage of Completion method during 2006.

Revenues recognised reflects units (villas and apartments) and other construction revenues that were completed throughout the year. Total revenues recognised reached LE 262 million compared to LE 178 million for the same period last year.

During 2006, the Company delivered a total of 281 villas and apartments along with 17 shops. At year end, a total of 674 villas and apartments in addition to 44 shops were under construction with expected delivery during 2007/2008.

During Q4 2006, the Company launched the El Gouna Mansions project. Covering a total area of one squared kilometre (1 km sq), the project consists of 105 plots to be will be developed in four four phases. The plots size ranges between 1,000 sq mt to 5,000 sq mt. By year end, the Company sold 10 plots at an average of LE 620 per sq mt. This excludes the expected construction revenues, which will depend on each buyer's specific requirements at the time of construction (within 5 years of plot delivery).

### Destination Management

Destination management/operations refers to revenues from operations of town centres and related revenues. Total revenues increased by 34% to LE 63 million, compared to LE 47 million compared to the same period last year, mainly due to increased utility billings as a function of increased inhabitation population.

### Rent Revenues

Rental revenue continued to represent more weight as a percentage of total consolidated revenue reaching 16% compared to 12% for the same period last year. Rental revenue is generated from shops, outlets in hotels, marina berths and staff housing. Rental revenue almost doubled reaching LE 156 million against LE 85 million for the same period last year. This growth is attributed to the refit of the downtown Kafr El Gouna and the improved circulation and occupancy of the Abu Tig Marina area.

### Land Sales

Land sales revenue refers to residential units, land sale to hotel owning companies and plots of the mansions project. Land sales revenues reached an all time high of LE 32 million.

Results highlights	2005	2006	Growth%
Total Revenue	683	963	40
Gross Operating Income	318	444	39
Gross Operating Profit	211	324	53
EBITDA	155	235	52
Net Profit	167	294	76
Net Profit%	24%	31%	7

Key financial performance indicators	2005	2006
Return on average ordinary shareholders' equity	683	963
Return on total assets	318	444
Effective tax rate before non-trading and capital items	211	324

• Note: the decrease of ROE from 25.69% for the year ended 31 December 2006 compared to 29.32% in 2005 is due to the increase in Capital.

## Taxes

OHD is still enjoying tax exemption in most of its subsidiaries; however, tax ratio is 1.6% today compared to the Profit. The Group will continue enjoying tax exemption for the coming 3 to 4 years and the ratio should not exceed 3% per year.

## Fixed Assets

Total fixed Assets (net) reported in the Consolidated Financial Statement for the year ended 31 December 2006 achieved LE 1.9 billion compared to 2005 with LE 1.3 billion.

Fixed Assets	
Land	202,008,982
Lands & Roads Improvement	3,776,446
Infrastructure	44,698,973
Buildings & Constructions	1,338,035,083
Machinery & Equipments	204,056,247
Vehicles	13,320,372
Furniture & Operating Equipments	69,656,743
Tools & Fire Fighting Equipments	6,991,576
Computers Equipments	9,969,417
Leasehold Improvements	966,098
<b>Total</b>	<b>1,893,479,937</b>

## OTHER FINANCIAL ISSUES

### Capitalisation

During 2006 the Company maintained its aggressive capitalisation strategy witnessed by the growth in its paid in capital from LE 590 million to LE 999 million whereby net equity/total footings reached 46% compared to 36% for the same period last year. Net equity reached LE 1.97 billion against LE 1.23 billion respectively. This does not yet include the 16 million shares related to the recent secondary offering (November 2006) as related legal procedures are still being processed.

Post completing this regulatory issue, total outstanding shares will reach 215 million shares with a total paid in capital of LE1.5 billion and net equity of LE 2.5 million. The share price was adjusted post the EGM approval for this rights issue (to reflect the impact of the new number of outstanding shares).

## Restructuring Financing Scheme

### A. Existing Bond Redemption

On 23 January 2007 a total of LE 100 million (out of a total LE 200 million in bonds) matured and was redeemed along related interest payments at an annual rate of 12.875%.

### B. Indebtedness

Throughout 2006 the Company paid a total of LE 296 million in long term debts and related interest payments (including bonds) reducing leverage ratio from 1.5x to 1.0x. This further improved the Company's debt service ratio to 0.84x compared to 0.63x for the same period last year.

LE Million	FY 2006	FY 2005	% Change YoY
Short Term Debt	170	90	88%
Long Term Debt	162	237	-32%
Outstanding Bonds	-	200	-100%
Current Portion of LTD	197	171	15%
Maturing Portions of Bonds	200	46	335%
Total Outstanding Debt	729	744	-2%
Total Cash Position	337	141	139%
<b>Net Debt</b>	<b>392</b>	<b>603</b>	<b>-35%</b>

## Treasury Stock

During May 2006 the company announced its intentions to buy 2 million shares of treasury stock; by year end the company held 1.53 million shares. On 26 January 2007 this balance declined to 1.42 million shares as 108 000 shares were utilized in a share swap transaction to acquire the 7% stake held by Al Ahram for Investments in Taba Resorts (the owning company for Marriott Taba). This transaction increased OHD's stake in Taba Resorts to 64%.

## Looking Forward

For 2007 the Group expect to keep the same level of growth and revenue especially for the Real Estate division.

The revenue mix in 2007 will continue from both our Hotels and Real Estate divisions. However the contribution to revenue will be equal.

The increase in ARR in the Hotels Division and the sale per square meter in real estate should contribute positively above 30%. The target is to increase the ROE up to 20%.

*Mahmoud M. Zuaiter*  
Senior VP & Group CFO  
30 JUNE 2007

## Report of the Directors

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The Directors of Orascom Hotels and Development (OHD) present their annual report, together with the audited consolidated financial statements for the year ended 31 December 2006.

## Principal activities and business review

OHD is a global town developer of integrated, self-sufficient tourist and residential towns. OHD has an active pipeline of ambitious projects spanning three continents in Egypt, Jordan, U.A.E., Oman, Switzerland, Mauritius, and Morocco. As a developer, it delivers through a conglomerate of subsidiaries amounting to 55 operational companies directly owned and controlled to provide a full service development solution.

OHD shares are listed on the Cairo & Alexandria Stock Exchange.

A review of the businesses, financial performance and future outlook of the Company is contained in the Letter to Shareholders by the Chairman.

Analyses of revenue, results and net assets are given in the consolidated financial statements.

## Profits and dividends

The net income was LE 293.9 million (2005: LE 166.9 million). The annual general assembly for the financial year ending 2006 OHD decided for 2006 to distribute a stock dividend at the ratio of one free share for every ten shares. The eligible number of shares for free share distribution will include the November 2006 capital increase replacement shares for Mr. Samih Sawiris amounting to 16.095 million shares as well as the shares committed as part of the Garranah Touristic Group majority acquisition.

## Corporate governance

The Company endeavours to conduct its affairs in accordance with good corporate governance practices.

## Directors

The Directors of the Company who served during 2006, and the biographical details for each, are shown on page 34. These Directors will hold office until the Annual General Meeting at which, being eligible, they offer themselves for re-election.

## Employees

In respect of the parent Company itself, the number of permanent employees of OHD as of 31 December 2006 was 13,000. The Company aims to attract highly qualified personnel with specific expertise and to retain and reward employees with proven skills and performance.

In support of its commitment to quality and equality in employment, the Company continues to develop and implement a comprehensive compensation and benefits system based on equal pay for equal work.

In addition to the basic competitive pay scheme, the Company has the following employee benefits:

A training and development program. In addition to the on the job training, OHD finances employee MBA education and issues various training scholarships to qualified employees.

Medical insurance plan. All employees inside Egypt are covered by medical insurance. The Company contributes 70% and the employee contributes 30%.

Social insurance government-sponsored program.

Profit sharing scheme. Employees are entitled to a share of the Company's profit in accordance with legislation.

Share-based incentive program. The OHD stock option plan provides key employees of the Company and its subsidiaries with incentive for continuity and high performance.

## Shareholders

The shareholding structure of the Company as at 31 December 2006 was: Mr. Samih Sawiris and family remain as the majority shareholders with 62% ownership and public ownership 38%.

The Company is authorized to issue shares of up to 2 million shares as its first allocation towards implementing its employee share-based incentive program.

## Annual General Meeting

The Annual General Meeting was held at noon on Monday, 14 May 2007 at Nile City Towers, 2005A Corniche El Nil, Cairo, Egypt.

## Auditor

A resolution to reappoint KPMG (Hazem Hassan) and Deloitte (Saleh, Barsoum, and Abdel Aziz) as co-auditors and to authorize the board of Directors to determine their remuneration was approved by the Annual General Meeting.

*Approved by the Board  
June 2007*

## Corporate Governance

Orascom Hotels and Development SAE is committed to the principles of good corporate governance and has adopted corporate governance guidelines in compliance with applicable laws and stock exchange regulations. The Board of Directors ("Board") believes that good corporate governance practices align the interests of management and shareholders thereby maximizing the profitability and long-term value of the company for shareholders.

The Company is subject to the disclosure rules and the new listing rules set by the Cairo and Alexandria Stock Exchanges ("CASE") and approved by the Egyptian Capital Markets Authority on 18 June 2002. The Company has been in compliance with the corporate governance, financial reporting and disclosure provisions of the CASE listing rules throughout the year ended 31 December 2006. The US Securities and Exchange Commission ("SEC") approved CASE as "designated offshore securities markets" within the meaning of rule 902(b) under Regulation "S" of the US Securities Act of 1933 on 16 April 2003.

The Board continues to monitor developments in corporate governance and the actions taken by regulators worldwide to improve financial reporting and disclosure. The Board has reviewed the recent changes in applicable securities laws and stock exchange regulations and has concluded that the Company is in compliance with all those provisions which are currently in force. In addition, the Board has chosen to make the following voluntary disclosure to assist shareholders in their evaluation of the corporate governance practices of the Company.

### Internal Control and Risk Management

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company that the process has been in place for the year under review and up to the date of approval of the annual report and accounts, that the process is regularly reviewed by the Board.

The Company maintains a sound system of internal controls and risk management which is embedded in its operations, is capable of responding quickly to evolving risks to the business arising from factors

with the company and to changes in the business environment, and includes procedures for reporting immediately to appropriate levels of management any significant control weaknesses that are identified together with corrective action being undertaken. The Company's system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The business of the Company is conducted by its employees, managers and executive officers, under the direction of the Chief Executive Officer and the oversight of the Board, to enhance the long-term value of the Company for its shareholders. The Board is elected by shareholders to oversee and counsel management. The Board acknowledges that it is responsible for the Company's system of internal controls and for reviewing its effectiveness to safeguard shareholders' investment and the Company's assets.

The Audit Committee of the Board reviews the Company's internal control and risk management systems, monitors the effectiveness of the Company's internal audit function, identifies matters in respect of which it considers that action or improvement is needed, and makes recommendations to the Board as to the steps to be taken. The Audit Committee relies on periodic reports from the Company's executive officers, senior financial managers, internal audit staff, and external auditors to obtain reasonable assurance that appropriate controls are in place and functioning effectively.

The Chairman and Chief Executive Officer, business unit heads and corporate support unit heads are responsible for the day-to-day control of the Company's operations and for the design of internal control and risk management systems. These business and corporate unit heads are held responsible for the disclosure of all significant deficiencies and materials weaknesses in the internal control over financial reporting and any fraud, whether or not material, which involves management to the Audit Committee and external auditors. These unit heads also are held responsible for the preparation and integrity of the Company's published financial statements which shall fairly present in all materials respects the financial condition and results of operations of the Company.

### **Code of Business Conduct and Ethics**

The Board has adopted a Code of Business Conduct and Ethics which contains the policies that relate to the legal and ethical standards of conduct that the directors, unit heads and employees of the Company are expected to comply with while carrying out their duties and responsibilities on behalf of the Company.

This Code is intended to focus the Board and management on areas of ethical risk, provide guidance to personnel to help them recognize and deal with ethical issues, provide mechanisms to report unethical conduct, and help to foster a culture of honesty and accountability.

No code or policy can anticipate every situation that may arise. The Company expects each director, executive officer and employee to act with honesty and integrity, to exercise independent professional judgement and to deter wrongdoing in the conduct of all duties and responsibilities on behalf of the Company.

### **Relations with Shareholders**

The Board believes that communication with shareholders, institutional investors, the financial community, the media, and other third parties is best handled by the Chief Executive Officer and designated management representatives of the Company. The Company operates a structured program of investor relations, based on formal announcements and publications relating to significant events and financial results, in compliance with applicable securities laws and stock exchange regulations. To ensure fair disclosure to all stakeholders at the same time, the Company refrains from disclosing any information specifically designated to financial analysts, financial institutions or other parties before disclosing the information to the market as a whole. Directors, executive officers and employees are required to maintain the confidentiality of information entrusted to them by the Company or its customers, except when disclosure is authorized or legally mandated.

The Company has appointed Mamdouh Abdel Wahab as its Director Investor Relations, with the responsibility of communicating and providing key information to all interested stakeholders including officials, shareholders, institutional investors and research analysts. Information about the Company including interim and full year financial results and other major announcements is also published on the Company's website [www.orascomhd.com](http://www.orascomhd.com).

The Chairman of the Board, Executive Vice Chairman, and Director of Investor Relations do maintain a dialogue with representatives of institutional and other shareholders regarding long-term business strategies, financial performance and corporate governance in order to establish a mutual understanding of objectives. The Annual General Meeting also provides an opportunity for individual shareholders to meet and communicate with the Board to develop a better understanding of the Company's operations and prospects. All directors are expected to attend the annual general meeting absent exceptional cause. Shareholders who wish to communicate with the Board may correspond in writing with the senior independent director at the principal office of the Company. The senior independent director will notify the Board or the chairperson of the relevant committee of the Board regarding those matters that are appropriate for further action or discussion.

### **Going Concern**

After making enquires, the Directors have formed a judgment, at the time of approving the accounts, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the accounts.

## Report of the Audit Committee *of the Board of Directors*

The Audit Committee assists the Board in fulfilling its responsibilities for general oversight of the integrity of the Company's consolidated financial statements, compliance with legal and regulatory requirements, the independent auditors' qualifications and independence, the performance of the Company's internal audit function and independent auditors, and risk assessment and management.

The Audit Committee manages the Company's relationship with its independent auditors (who report directly to the Audit Committee). The Audit Committee acts under a written charter adopted and approved by the Board, and has authority to obtain advice and assistance from outside legal, accounting or other advisors as the Audit Committee deems necessary to carry out its duties.

The Company's management has responsibility for preparing the consolidated financial statements and financial reporting process, including the system of internal control. The Company's independent auditors, KPMG (Hazem Hassan) and Deloitte-Saleh, Barsoum & Abdel Aziz, are responsible for expressing an opinion as to whether those financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in accordance with Egyptian Accounting Standards, which are not materially different from International Financial Reporting Standards.

### **In this context, the Audit Committee hereby reports as follows:**

The Audit Committee has reviewed and discussed the audited consolidated financial statements for the year ended 31 December 2006 with the Company's management.

The Audit Committee discussed with the independent auditors the conduct of their audit in accordance with Egyptian Auditing Standards, and compliance with legal and regulatory requirements. The Audit Committee has received written confirmation of the Independent Auditors' independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board, and the Board has approved, that the audited consolidated financial statements be included in the 2006 Annual Report for filing with the Capital Market Authority.

### **Audit Committee**

*Khaled Sheta  
Alaadin El Sabba  
Karim Garranah*



# Auditor's Report

## **To the shareholders of Orascom Hotels and Development S.A.E**

We have audited the accompanying consolidated financial statements of Orascom Hotels and Development S.A.E. which are comprised of the consolidated balance sheet as of 31 December 2006, and the related consolidated statements of income, cash flows and consolidated statement of changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Egyptian Auditing Standards and in light of the provisions of the prevailing Egyptian laws and regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We have obtained all information and explanations, which we considered necessary for our audit. We believe that our audit provides reasonable basis for our opinion on these consolidated financial statement.

In our opinion, the consolidated financial statements referred to above and the notes thereto, present fairly in all material respects the consolidated financial position of Orascom Hotels and Development S.A.E. as of 31 December 2006 and the results of its consolidated operations and consolidated cash flows for the year then ended in conformity with the Egyptian Accounting Standards and in the light of the related applicable Egyptian laws and regulations.

Cairo, 29 March 2007

**PMG Hazem Hassan**  
*Public Accountants & Consultants*

**Deloitte Saleh, Barsoum & Abdel Aziz**

**Orascom Hotels and Development Company, an Egyptian Joint Stock Company**  
**Consolidated Balance Sheet, as of 31 December 2006**

<b>Assets, Long term Assets</b>	<b>Note No.</b>	<b>31/12/2006   LE</b>	<b>31/12/2005   LE - Adjusted</b>
Fixed assets (Net)	(4-4/5)	1,893,479,937	1,293,530,590
Projects under construction	(6)	259,865,223	369,231,003
Long term investements	(4-7/7)	26,066,750	189,463,986
Goodwill	(4-8/8)	42,783,378	42,626,452
Other assets (Net)	(4-6)	5,116,293	353,697
<b>Total Long Term Assets</b>		<b>2,227,311,581</b>	<b>1,895,205,728</b>
<b>Current Assets</b>			
Inventory	(4-9/9)	60,459,852	44,848,411
Work in progress (Net)	(4-11/10)	110,954,692	59,202,837
Assets held for sale	(4-10/11)	5,187,324	2,452,893
Due from affiliated companies	(12)	71,160,048	112,174,777
Receivables & notes receivable (Net)	(13)	700,436,985	497,020,158
Suppliers and Sub-contractors advance payments		32,049,413	19,289,368
Debtors and Other debit balances	(14)	179,820,917	109,210,555
Cash on hand and at banks	(15)	337,571,168	141,237,319
<b>Total Current Assets</b>		<b>1,497,640,399</b>	<b>985,436,318</b>
<b>Current Liabilities</b>			
Provision for infrastructure completion	(4-16/16)	15,376,700	42,257,796
Provisions	(4-15/17)	18,517,560	18,871,196
Banks credit balances		3,635,935	-
Banks credit facilities and overdrafts	(18-1)	165,717,346	90,123,641
Due to affiliated companies	(12)	12,905,464	15,005,507
Customers advance payments		208,133,956	16,808,933
Managements current accounts		8,748,515	8,645,028
Suppliers, sub-contractors and notes payable	(19)	70,165,026	51,006,487
Creditors and Other credit balances	(20)	649,720,662	718,369,382
Accrued Expenses	(21)	28,204,997	28,985,593
Bonds loan - due within a year	(22)	200,000,000	45,714,290
Long term loans installments due within a year	(23)	196,869,062	171,319,463
<b>Total Current Liabilities</b>		<b>1,577,995,223</b>	<b>1,207,107,316</b>
<b>Excess of Current Liabilities over Current Assets</b>		<b>(80,354,824)</b>	<b>(221,670,998)</b>
<b>Total Investments</b>		<b>2,146,956,757</b>	<b>1,673,534,730</b>
To be Financed as follows:			
<b>Shareholders' Equity</b>			
Issued and paid up capital	(24)	999,538,525	590,293,835
Treasury stocks	(25)	(44,766,331)	-
		<b>954,772,194</b>	<b>590,293,835</b>
Revaluation surplus in subsidiaries companies		-	59,082,286
Legal reserve		177,937,744	118,058,767
General reserve		230,292,294	230,292,294
Cummulative translation adjustment		(524,226)	-
Retained earning (deficit)	(34)	47,248,330	(118,963,687)
<b>Total Shareholders' Equity</b>		<b>1,409,726,336</b>	<b>878,763,495</b>
<b>Net profit for the Year</b>		<b>293,925,046</b>	<b>166,906,775</b>
<b>Total Shareholders' Equity included net profit for the year</b>		<b>1,703,651,382</b>	<b>1,045,670,270</b>
<b>Minority interest</b>		<b>266,777,773</b>	<b>187,639,500</b>
<b>Total Shareholders' Equity and Minority Interest</b>		<b>1,970,429,155</b>	<b>1,233,309,770</b>
<b>Long Term Liabilities</b>			
Long term bonds	(22)	-	200,000,000
Banks long- term- credit facilities	(18-2)	800,000	3,800,000
Long term loans	(23)	161,645,682	233,389,058
Deferred Tax	(30)	14,081,920	3,035,902
<b>Total Long Term Liabilities</b>		<b>176,527,602</b>	<b>440,224,960</b>
<b>Total working capital finance and long term assets</b>		<b>2,146,956,757</b>	<b>1,673,534,730</b>

The accompanying notes from 1 to 36 are considered as an integral part of these financial statements and are to be read therewith.

**Orascom Hotels and Development Company, Egyptian Joint Stock Company**  
**Consolidated Income statement for the financial year ended as of 31 December 2006**

<b>Revenues</b>	<b>Note No.</b>	<b>31/12/2006 LE</b>	<b>31/12/2005 LE - Adjusted</b>
Land revenues		32,190,125	-
Constructions contracts revenues		261,961,881	178,624,817
Operating revenues		62,829,060	46,687,005
Hotels revenues		438,824,683	369,076,290
Services revenues		11,787,915	3,570,437
Other operating revenues		155,904,640	84,669,438
<b>Total Revenues</b>		<b>963,498,304</b>	<b>682,627,987</b>
<b>Cost</b>			
Cost of land sold		(3,600,000)	-
Cost of constructions contracts		(129,865,758)	(110,823,698)
Operating costs		(64,649,236)	(74,554,793)
Hotels' direct costs		(148,466,129)	(98,913,588)
Services costs		(8,703,195)	(4,381,355)
Other operating costs		(112,311,409)	(31,235,180)
Fixed assets depreciation		(52,328,106)	(44,463,022)
<b>Total cost</b>		<b>(519,923,833)</b>	<b>(364,371,636)</b>
<b>Other operating costs (for hotels)</b>			
General and administrative expenses (operation)		(94,897,621)	(85,417,535)
Management fees		(24,105,458)	(21,961,388)
Total other operating costs(for hotels)		(119,003,079)	(107,378,923)
<b>Gross profit</b>		<b>324,571,392</b>	<b>210,877,428</b>
Provisions		(6,718,632)	(7,592,915)
General and administrative expenses		(83,141,328)	(48,845,460)
Interest and financing expenses		(79,137,956)	(97,493,929)
Other revenues	(31)	51,502,157	114,906,576
Credit interests		8,347,936	1,044,287
Provision no longer required		15,746,107	12,115,859
Amortization		(322,424)	(4,884,188)
Capital Gains		4,756,697	1,043,269
Negative goodwill		-	1,904,663
Gain from sale of investments		93,435,670	9,955,639
Amortization of pre-opening expenses		(3,358,945)	-
Losses in investments in subsidiaries		-	(17,343,607)
Gain from investment percentage decrease in subsidiaries		-	468,000
Foreign currencies exchange differences		(4,814,937)	8,236,288
<b>Net profit before taxes and minority interest</b>		<b>320,865,737</b>	<b>184,391,910</b>
Deferred tax	(30)	(10,226,852)	(3,035,901)
Income tax		(4,962,583)	(1,609,667)
Minority interest		(11,751,256)	(12,839,567)
<b>Net profit for the year after taxes and minority interest</b>		<b>293,925,046</b>	<b>166,906,775</b>
<b>Earnings per share</b>	<b>(26)</b>	<b>1.72</b>	<b>2.23</b>

The accompanying notes from 1 to 36 are considered as an integral part of these financial statements and are to be read therewith.

**Orascom Hotels and Development Company, an Egyptian Joint Stock Company**  
**Consolidated Income statement for the financial year ended as of 31 December 2006**

Cash flows from operating activities	Note No.	31/12/2006 LE	31/12/2005 LE - Adjusted
<b>Net profit for the year before taxes &amp; after minority interest</b>		<b>309,114,481</b>	<b>171,552,343</b>
<b>Adjustments to reconcile net profit to net cash flow provided by operating activities</b>			
Provisions other than depreciation		6,718,632	9,109,500
Provisions used		(18,476,519)	(9,702,843)
Provision no longer required		(15,746,107)	(14,678,858)
Fixed assets depreciation		93,312,315	59,573,713
Other asset amortization		322,424	5,082,418
Capital gains		(4,756,697)	(1,043,269)
Goodwill		(156,926)	14,730,701
Fixed assets adjustments		(1,761,240)	-
Gain from decrease the investment percentage in subsidiaries		-	(468,000)
Gain from investments in affiliated companies		-	(862,093)
Gain from sale of Investment		(93,435,670)	(9,955,639)
Retained earnings adjustments		(694,758)	-
Foreign currencies exchange differences		(524,226)	4,151,834
Minority interests		79,138,273	1,069,300
<b>Operating profit before changes in working capital</b>		<b>353,053,982</b>	<b>228,559,107</b>
<b>Changes in working capital</b>			
Changes in current assets and other debit balances		(301,813,481)	(551,781,727)
Changes in current liabilities and other credit balances		62,460,241	358,552,919
<b>Net cash provided by operating activities</b>		<b>113,700,742</b>	<b>35,330,299</b>
<b>Cash flows from investing activities</b>			
(Payments) for Purchase of fixed assets and other assets *		(223,592,952)	(294,599,584)
Proceeds from sale of fixed assets, investments and gains resulted from sold investments		118,239,998	11,376,728
Proceeds from Sale of fixed assets		9,840,784	108,386,145
(Payments) for purchase of investments in subsidiaries companies		(3,750,000)	(22,932,849)
Proceeds from Sale of investment in subsidiaries companies		31,626,363	6,514,601
Changes in Projects under construction *		(57,136,360)	(32,321,875)
<b>Net cash (used in) investing activities</b>		<b>(124,772,167)</b>	<b>(223,576,834)</b>
<b>Cash flows from financing activities</b>			
Proceeds from paid up capital		410,041,381	194,016,500
Proceeds from shareholders' current account		-	209,566,335
(Payments) for loans		(230,463,481)	(127,380,369)
Proceeds from Bank's credit facilities and overdrafts		72,593,705	(72,591,055)
(Payments) for purchase treasury stock		(44,766,331)	-
Proceeds from sale of treasury stock		-	3,653,664
<b>Net cash Provided by financing activities</b>		<b>207,405,274</b>	<b>207,265,075</b>
Changes in cash and cash equivalents		196,333,849	19,018,540
Cash and cash equivalents as at beginning of the year		141,237,319	122,218,779
<b>Cash and cash equivalents as at end of the year</b>	<b>(15)</b>	<b>337,571,168</b>	<b>141,237,319</b>

The accompanying notes from 1 to 36 are considered as an integral part of these financial statements and are to be read therewith.

**Non Cash Transaction**

Fixed assets additions include an amount of LE 171,468,220 representing into transfer from projects under construction to fixed assets. Its effect are disposed from (Payments) for purchase of fixed assets and changes in project under construction.

**Orascom Hotels and Development Company, (Egyptian Joint Stock Company)**  
**Consolidated Statement of Changes in Shareholders' Equity for the financial year ended as of 31 December 2006**

Description	Note No.	Issued and Paid up capital		Treasury stocks		Payments under capital increase		Legal reserve		General reserve		Cumulative translation adjustment		Retained earnings/deficit		Revaluation surplus in subsidiaries companies		Net Profit for the Year		Total	
		LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Balance as of 1/1/2005		300,000,000				192,641,658		28,611,188		63,192,624		(229,373,910)							53,386,808		408,458,368
Transfer to retained losses															53,386,808				(53,386,808)		
Capital increase		290,293,835				(192,641,658)		111,914,158		193,743,999											403,310,334
Revaluation surplus in subsidiaries companies																	59,082,286				59,082,286
Transfer from general reserve to retained losses										(49,110,908)					49,110,908						0
Transfer to general reserve								(22,466,579)		22,466,579											0
Adjustments															7,912,507						7,912,507
Net profit for the year																			166,906,775		166,906,775
<b>Balance as of 31/12/2005</b>		<b>590,293,835</b>						<b>118,058,767</b>		<b>230,292,294</b>					<b>(118,963,687)</b>				<b>166,906,775</b>		<b>1,045,670,270</b>
Transfer to retained losses															166,906,775				(166,906,775)		
Capital increase		409,244,690						796,691													410,041,381
Purchase of treasury stocks	25					(44,766,331)															(44,766,331)
Cumulative translation adjustment												(524,226)									(524,226)
Adjustments															(694,758)						(694,758)
Transfer of revaluation surplus to LE gal reserve								59,082,286									(59,082,286)				
Net profit for the year																			293,925,046		293,925,046
<b>Balance as of 31/12/2006</b>		<b>999,538,525</b>				<b>(44,766,331)</b>		<b>177,937,744</b>		<b>230,292,294</b>		<b>(524,226)</b>			<b>47,248,330</b>				<b>293,925,046</b>		<b>1,703,651,382</b>

The accompanying notes from 1 to 36 are considered as an integral part of these financial statements and are to be read therewith. Adjustments and foreign currencies revaluation differences.

# Notes to the consolidated financial statements for the financial year ended 31 December 2006

## 1. Introduction

### A. Company Background

- Orascom Hotels and Development Company, an Egyptian Joint Stock Company, was established in pursuance of the Investment Law No. 230 for 1989, and according to the Resolution No. 1169 issued on 11 December 1995 from the General Authority for Investment.
- According to the Extraordinary General Assembly Meeting held on 28 December 2004, the Company's name was changed from Orascom Projects and Touristic Development to Orascom Hotels and Development.
- The company's purpose is the development of an initial area of 3.356 million square meters for touristic purposes, and providing the utilities and infrastructure to the El Gouna area of the Hurghada Red Sea Governorate, provided that the development of the region is on the basis of 50% hotels, and 50% touristic housing. The company may engage in other projects or amend its purpose within the framework of the Investment Law. It may also contribute or participate in any subsidiary projects outside the Investment Law issued by Law No. 230 for 1989 on condition that the approval of the General Authority for Investment is obtained, and the provisions of Law No. 95 for 1992 are observed.
- The company has acquired through purchase, LE ase and right of use of an additional 23.829 million square meters for the same purpose to become with total area of 27.185 million square meters. There is a LE ase promise for land with a total area of 9,555,461 square meters from the Touristic Development Authority.

### B. Subsidiary Companies

- OHD (Parent Company) owns investment in subsidiary companies which have been consolidated in the consolidated financial statements as of 31 December 2006 as follows:

	Company name	Ownership percentage	Country
1	Orascom Hotels Holding Company (2-1)	97.21%	Egypt
2	El Gouna for Services Company	96%	Egypt
3	El Gouna Limousine Company	55.83%	Egypt
4	El Gouna Paul Ran for Educational Services Company	55%	Egypt
5	El Reboue for Touristic Development Company	76.39%	Egypt
6	El Gouna Hospital Company	75.47%	Egypt
7	Taba Heights Company	98.99%	Egypt
8	Orascom Limousine Company	55.88%	Egypt
9	El-Wekala For Hotels Company	74.53%	Egypt
10	Taba For Hotels Company	62.29%	Egypt
11	Misr El Fayoum Company for Touristic Development	63.33%	Egypt
12	Taba laundry Company	57.97%	Egypt
13	The International Company for Tourism Projects	57.60%	Egypt
14	First Taba Hotel Company	59.77%	Egypt
15	Rak Touristic Establishment	73%	U.A.E
16	Oman for Touristic Development	70%	Oman

## 2. Investments in subsidiary

Investment of Orascom Hotels and Development in Orascom Hotels Holding Company became 43,976,788 shares including 26,273,189 shares that are pledged in favor of some banks and financial institutions as follows:

	Shares
Shares pledged to Commercial International Bank "Giza branch".	8,823,189
Shares pledged to Abu Dubai Bank	3,450,000
Shares pledged to Misr Bank "El Orman branch".	12,000,000
Shares pledged to the National Bank of Egypt	2,000,000
	<b>26,273,189</b>

During the period from 28 March 2006 to 11 April 2006 the company purchased 25 000 share from Orascom Hotels Holding Company in which the percentage of shares is 97.21% as at 31 December, 2006.

## 3. Accounting Basis for the Preparation of the Consolidated Financial Statements

The consolidated financial statements are prepared according to the Egyptian Accounting Standards and the prevailing Egyptian laws and regulations.

## 4. Significant Accounting Policies Applied

The significant accounting policies applied in the preparation of the consolidated financial statements are as follows:

### 4.1 Principles of Consolidation

The consolidated financial statements include the assets, liabilities and results of operations of Orascom Hotels and Development (Parent Company) and all subsidiaries that are controlled by the Parent Company, hereunder referred to as the "Group". The basis of preparation of the consolidated financial statements is as follows:

- All inter-group balances, transactions and unrealized profit or loss have been eliminated.
- Minority interest, in the equity and results of the entities that are controlled by the Parent Company, is shown as a separate line item in the consolidated financial statements and calculated as the minority's portion in the assets and liabilities of the subsidiary company in the date of the acquisition.
- The cost of acquisition represent the total cost incurred by the parent company to acquire the investment and was allocated as follows: the fair value of the assets and liabilities owned by the company at the acquisition date of the investment to the extent of the parent company's interest obtained on that date.
- If the acquisition cost increases over the parent company share in the fair value of the assets and liabilities of the subsidiaries, the difference is treated as goodwill and is recorded as long-term assets. A study is being prepared to find out if there is any indications of impairments in its value. In case there is, the impairments will be included in the income statements.
- If the parent company's share in the fair value of the assets and liabilities has decreased over the acquisition cost in some of the companies, the difference is recorded as a negative goodwill and will be recorded as revenue in the income statement at the date of purchasing.

## 4.2 Translation of the Foreign Currencies Transactions

The group maintains its accounting records in Egyptian Pounds. Transactions denominated in foreign currencies are translated to the Egyptian pounds at the prevailing exchange rates at the date of the transaction. At the balance sheet date monetary assets and liabilities, denominated in foreign currencies are translated at the exchange rates prevailing at that date and exchange differences resulting from the translation are charged to the Income Statement.

### 4.2.1 Foreign Subsidiary Companies

Assets and liabilities of foreign subsidiary companies are valued using the exchange rates prevailing at the consolidated financial statement date, while the shareholders' equity is valued using the exchange rate prevailing as of acquisition of incorporation date. Revenue and expenses are valued using the average exchange rate during the financial year. Differences arising from valuation are included in the shareholders' equity under the cumulative translation adjustments line.

## 4.3 Revenue recognition

### Land Revenue

Revenues resulting from selling lands are recorded according to the accrual basis upon signing land sale contract with client.

### Construction Revenue

Construction revenues are recognized according to the stage of completion method.

### Operation Revenue

Operation revenue is recognized when service is rendered according to the accrual basis.

### Services Revenue

Services revenue is recognized after delivering the service according to the accrual basis.

### Hotels Revenue in the Owning Companies

Revenue is recognized when service is rendered according to the signed financial statement of the owning companies.

## 4.4 Fixed Assets and its Related Depreciation

Fixed assets are recorded at historical cost Less accumulated depreciation and are depreciated by using the straight line method, over the estimated useful life for each type of asset as follows:

Assets	Useful life for the asset	
Land and Roads Improvement	50	Years
Infrastructure	50	Years
Golf Courses	20	Years
Buildings and Constructions	5 - 50	Years
Machinery and Equipments	4 - 25	Years
Vehicles	4 - 7	Years
Furniture, Fixtures, Operating Equipment and Stores	3 - 20	Years
Tools & Fire Fighting Equipments	1 - 8	Years
Computers and Electric Machines	3 - 10	Years
Leasehold Improvement	3 - 5	Years

The preliminary contracts have been registered for some lands and the procedures for registering other lands are in process.

## 4.5 Impairment of Assets

On the financial statement date, the book value of assets owned by the company is reviewed, and in the case that there are indications that the recoverable value, of these assets is lower than its book value, then the value of assets will be reduced to its recoverable value, and charged to the income statement. The annual depreciation concerning the following years' fixed assets is calculated on a fair value basis.

## 4.6 Other Assets

Other assets are amortized by using the straight line method over a period from 7 to 10 years.

## 4.7 Long Term Investments

### 4.7.1 Long Term Investments

Investments in long term investments in which the Group exercises significant influence are recorded at the acquiring cost of the associates and subsidiaries in accordance with the equity method. Participation in profit or loss is then recorded. Whenever the book value of an asset exceeds its recoverable amount, an impairment loss is recognized by charge to the statement of profit and loss. When the book value of an asset exceeds its recoverable amount on other than temporary basis, impairment loss is recognized by charge to the statement of profit and loss.

Long term investments in which the company does not have significant influence, investments are recorded at cost and investments revenues are recorded when the right to receive the dividends payment is established from the net profits of the investee arising subsequent to the date of acquisition by the investor.

### 4.7.2 Investments Available for Sale

The available for sale investments are stated at fair value at the financial statements date, the change in fair value, whether profit or loss, is stated directly in the shareholders' equity except for the investment impairment which is charged to the income statement. At disposal date, the consolidated profits and losses, which were previously charged to the shareholders' equity, are stated in the income statement. The fair value of the available for sale investments is determined according to the Stock Market rate as of the financial statements date. As for the investments not registered at Stock Market and in which can not be reliably measured at fair value, investments are stated at cost.

## 4.8 Goodwill

The positive goodwill resulting from asset acquisition is recorded as long term assets. A study is being prepared to find out if there is any indication of impairment in its value. In case there is, this impairment will be included in the income statement. Negative goodwill is charged directly to the income statement according to the International Accounting Standards No. (3) Business Combination.

## 4.9 Inventory

Inventories of supplies and raw materials are stated at the lower of cost or market. Inventory is valued by using the weighted average method.

## 4.10 Assets held for Sale

Assets are stated at market value as of the purchase date. A provision is formed to meet the impairment of the market value (if any)

## 4.11 Work in Progress cost

Work in progress are stated on the basis of actual cost and are stated in the income statement when the contract of sale of this units is signed.

## 4.12 Deferred Taxes

Deferred tax is recognized due to the temporary differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profits, using the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (tax laws) enacted as of the balance sheet date. A deferred tax asset shall be recognized for all deductible temporary differences to the extent that is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

### **4.13 Cash Flows Statement**

- For the purpose of preparing the cash flow statement, cash and cash equivalents at the beginning and end the year comprised of Cash on hand and banks current accounts and deposits and it is prepared according to the indirect method.
- Cash flows resulted from the acquisition or disposal of subsidiaries are separately represented and classified as investing activities.

### **4.14 Borrowings Cost**

Borrowings costs are recognized as expenses in the Income Statement when incurred.

### **4.15 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event that is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the amount of provision is determined by deducting future cash flows using the deduction rate-before tax-taking this effect into consideration. Provisions are reviewed at the balance sheet date and amended (when necessary) to represent the best estimate.

### **4.16 Provision for Infrastructure Completion**

Infrastructure completion provision value is determined according to feasibility study prepared and approved by the company and it represents the estimated cost to complete the work.

### **4.17 Accounting Estimates**

According to the Egyptian Accounting Standards and due to the factors of uncertainty of business activities, some items in the financial statements can not be accurately measured but can only be estimated counting on reasonable estimate of Company's management. The company's management will only rely on the reasonable estimates. These estimates should not consider, the adjustments resulting from the amendments of estimates, as an extraordinary items or fundamental errors.

### **4.18 Loans**

Loans are recognized according to the received amounts. The amounts due during the year are recorded in the current liabilities. If the company does not obtain the right of delaying the loan payment for a period exceeding 12 months from the balance sheet date then, the loan will be recorded in the long-term liabilities.

### **4.19 Legal Reserve**

According to the company's Articles of Incorporation, 5% of the net profit is reserved to form a legal reserve, and it is discontinued once the reserve reaches 20% of the company's issued capital, and resumes again whenever the reserve decreases. The reserve can be used based on the General Assembly's decision and the Board of Directors suggestion. The reserve or portion of it can be transferred into shares in order to increase the value of the issued capital. The increased shares are distributed on the company's shareholders based on their percentage of contribution and in light of what is stated in the Executive Regulation Article No. (23) of Law 95 for 1992.

## 5. Fixed Assets

Fixed assets (net) reported in the consolidated financial statement as of 31 December 2006 amounted to LE 1,893,479,937 represented as follows:

	Lands	Lands & Roads Improvement	Infrastructure	Buildings & Constructions
	LE	LE	LE	LE
Cost as of 1/1/2006	160,957,291	5,398,840	26,416,258	1,018,258,640
Additions cost for consolidated new subsidiaries	30,736,921	-	-	240,322,144
Additions for the year	11,065,881	-	21,858,168	232,694,884
Adjustments	-	-	-	(2,757,652)
Disposal for the year	(751,111)	-	-	(3,904,943)
<b>Total cost as of 31/12/2006</b>	<b>202,008,982</b>	<b>5,398,840</b>	<b>48,274,426</b>	<b>1,484,613,073</b>
Accumulated depreciation as of 1/1/2006	-	1,526,015	3,059,880	105,301,093
Accumulated depreciation for consolidated new subsidiaries	-	-	-	9,227,786
Depreciation for the year	-	96,379	515,573	30,199,543
Adjustments	-	-	-	2,265,206
Disposal accumulated depreciation	-	-	-	(415,638)
<b>Accumulated depreciation as of 31/12/2006</b>		<b>1,622,394</b>	<b>3,575,453</b>	<b>146,577,990</b>
<b>Net book value as of 31/12/2006</b>	<b>202 008 982</b>	<b>3,776,446</b>	<b>44,698,973</b>	<b>1,338,035,083</b>
<b>Net book value as of 1/12/2005</b>		<b>3,872,825</b>	<b>23,356,378</b>	<b>912,957,547</b>

## 6. Projects Under Construction

Projects under construction reported in the consolidated financial statement as of 31 December 2006 amounting to **LE 259,865,223** represent the cost of projects under construction till 31 December 2006 which will be recorded as fixed assets when it is completely finished:

Description	31/12/2006   LE	31/12/2005   LE
* Orascom Hotels Holding Company	56,277,955	217,131,158
** Taba Heights Company	137,589,587	143,931,518
Orascom Hotels & Development	4,204,946	7,153,728
Orascom Resort	9,465,041	-
First Taba Hotel Company	4,679,649	-
Misr El Fayoum Company for Touristic Development	5,927,105	-
Rack Touristo Investment	41,004,939	-
El Gouna Services	418,575	-
El Gouna Hospital Company	297,426	1,014,599
<b>Balance</b>	<b>259,865,223</b>	<b>369,231,003</b>

\* Projects under construction balance as of 31 December 2006 includes an amount of **LE 8,221,401** represented in capitalized interest in Marina (3) for Hotels Company. The total amount transferred to fixed assets during the period ended as of 31 December 2006 amounted to **LE 29,435,885** in Mokebela for Hotels, also an amount of **LE 3,585,809** in Marina (3) for Hotels Company was eliminated and charged to cost of units sold.

\*\* Based on the decree of the Evaluation Committee of the General Investment Authority in conformity with the Decree of the Chief of the General Investment and Free Zone Organization No. 4/178 for 2005, the lands were re-evaluated and its value increased in the amount of **LE 17,482,107**, and the buildings and constructions value increased in the amount of **LE 10,376,313**.

The balance of buildings and constructions as of 31 December 2006 included an amount of **LE 5,736,265**, the value of fixed assets depreciation used in the construction of these projects. (The amount of fixed assets depreciation for the financial period ending as of 31 December 2006 amounted to **LE 2,297,389**).

Machinery & Equipments	Vehicles	Furniture, Fixtures and Operating	Tools and Fire Fighting	Computers, Electrical Equipments	Leasehold Improvements
LE	LE	LE	LE	LE	LE
265,230,251	31,248,407	98,076,098	7,118,753	13,951,162	191,240
48,940,281	1,333,406	15,112,620	2,982,625	4,248,423	62,535
75,497,798	6,860,124	34,185,470	5,251,262	335,761	911,211
(6,002,340)	(32,252)	3,500,095	(18,873)	319,314	-
(1,459,951)	(1,765,317)	(250,448)	(194,460)	-	-
<b>382,206,039</b>	<b>37,644,368</b>	<b>150,623,835</b>	<b>15,139,307</b>	<b>18,854,660</b>	<b>1,164,986</b>
128,161,624	21,892,606	61,447,572	5,789,189	6,031,907	106,464
18,517,563	811,527	4,225,310	933,781	2,036,503	62,535
42,451,710	3,390,723	14,088,387	1,590,634	949,477	29,889
(10,035,730)	(152,877)	1,278,604	24,493	(132,644)	-
(945,375)	(1,617,983)	(72,781)	(190,366)	-	-
<b>178,149,792</b>	<b>24,323,996</b>	<b>80,967,092</b>	<b>8,147,731</b>	<b>8,885,243</b>	<b>198,888</b>
<b>204,056,247</b>	<b>13,320,372</b>	<b>69,656,743</b>	<b>6,991,576</b>	<b>9,969,417</b>	<b>966,098</b>
<b>137,068,627</b>	<b>9,355,801</b>	<b>36,628,526</b>	<b>1,329,564</b>	<b>7,919,255</b>	<b>84,776</b>

## 7. Long Term Investments

Long term investments reported in the consolidated financial statement as of 31 December, 2006 amounted to LE 26,066,750 represent the company's investment in the following companies most of these companies are established in Egypt as follows:

Company name	Percentage of ownership	31/12/2006   LE	Percentage of ownership	31/12/2005   LE
Jordan Company for Projects and Touristic Development (2-7)	18,27 %	22,041,095	18.27%	22,041,095
Rack Touristo Investment Company (1-7)		-	49%	5,905,985
Koral Blue (3-7)	25.00 %	3,750,000	-	-
Misr El Fayoum Company for Touristic Development	-	-	52.78%	2,647,203
Palestine for Touristic Investment Company	0.16 %	171,271	0.16%	171,271
El Gouna Company for Toursitic transportation	4.75 %	95,000	4.75%	95,000
El Koseir Company	25.65 %	3,400	25.65%	3,400
<b>Available For Sale Investments</b>				
Egyptian Resort Company	0.01%	5,984	9.81%	24,810,312
International Company for Taba Touristic Projects	-	-	57.6%	70,943,939
First Taba Hotel Company	-	-	59.77%	62,845,781
<b>Balance</b>		<b>26,066,750</b>		<b>189,463,986</b>

- Due to the increase of the accumulated losses over the investment capital for El Gouna for Domestic Transportation Company amounting to LE 817,000 with percentage of 16.34 %. The value of this investment was not displayed.

## 7.1

On 8 February 2006, Samih Sawiris the Chairman of Board of Directors, sold to the company a total of 1,752 shares amounting to AED 1,752,000 owned to him in Rack Touristo Investment Company (LTD.) (located in Ras El Khaimah – United Arab of Emirates). The company's percentage is now 73% instead of 49% accordingly, the company's investment value is now LE 8,621,585 instead of LE 5,905,985.

## 7.2

On 28 December 2005 according to the Release of Shares Contract, Samih Sawiris, the Chairman of Board of Directors, released to Orascom Hotels and Development Company a total of 1,339,512 shares, representing 9.24% of the capital of Jordan for Developing Touristic Projects Company amounting to LE 10,635,457.

## 7.3

The Company participate with 25% in Koral Blue Co. capital which its issued capital amounted to 60 million distributed in 60,000,000 shares, the nominal value per share One Egyptian Pound, the Company paid LE 3,750,000 which represent 25% of it of paid up capital share.

- The company sold a number of 2,057,550 shares of Egyptian Resort Company's capital in the amount of LE 118,240,038, representing 9.8% of the Company's shares. This resulted in a gain on sale of investment amounting to LE 93,435,712 recorded in the income statement in 31 December 2006.

## 8. Goodwill

The Goodwill balance represents the exceeds of the cost of investment acquisition over the fair value of the assets and liabilities of the subsidiary at the acquisition date, stated in the consolidated financial statement as of 31 December 2006 amounting to LE 42,783,378 as follows:

	31/12/2006   LE	31/12/2005   LE
Orascom Hotels Holding Company	29,908,919	29,751,993
Accacia for Hotels Company	3,490,492	3,490,492
Tawila for Hotels Company	4,257,845	4,257,845
El Gouna Company for Hotels	418,702	418,702
Taba Heights Company	4,530,944	4,530,944
El Reboue Company for Touristic Development	176,476	176,476
	<b>42,783,378</b>	<b>42,626,452</b>

### 8.1

Orascom Hotels and Development (Orascom Projects and Touristic Development—Previously) investment cost in Orascom Hotels Holding Company, Accacia Hotels Company and Tawila Hotels Company (subsidiary companies to Orascom Hotels Holding) exceeded the fair value of assets and liabilities of company invested companies on, this result in a positive goodwill, and it is recorded in the consolidated financial statement, as the company expects to gain from this investments a future economic benefits which may cover and exceed all the expenditures incurred on this investments.

### 8.2

During the period from 28 March 2006 to 11 April 2006 the company purchased 25,000 shares from Orascom Hotels Holding Company shares amounting to LE 455,750 to increase the shareholder percentage in 30 June 2006 by 1.97%. This resulted in a goodwill with an amount of LE 156,986.

## 9. Inventory

Inventory shown in the consolidated balance sheet as of 31 December 2006 amounted to LE 60,459,852 represented as follows:

	31/12/2006   LE	31/12/2005   LE
Orascom Hotels and Development Company	32,571,821	26,297,807
Taba Heights Company	6,327,103	4,514,821
El Gouna Services	4,983	-
First Taba Hotel Company	3,600,732	-
International Company for Taba Touristic Projects	1,344,010	-
El Gouna Hospital Company	89,368	254,304
Orascom Hotels Holding Company	16,487,213	13,753,852
El Gouna Limousine Company	34,622	27,627
	<b>60,459,852</b>	<b>44,848,411</b>

## 10. Work in progress

Work in progress shown in the consolidated balance sheet as of 31 December 2006 amounted to LE 110,954,692 representing the cost of work in progress till 31 December 2006 which will be recorded as operation cost in the income statement when sold according to the stage of completion of these projects upon projects managers approval as follows:

	31/12/2006   LE	31/12/2005   LE
Taba Heights Company*	-	24,925,102
Rack Touristo Establishment	65,443,562	-
Orascom Hotels and Development Company	40,176,648	28,943,253
El Reboue for Touristic Development Company	5,708,124	5,708,124
Total work in progress	111,328,334	59,576,479
Less		
Impairment in work in progress	(373,642)	(373,642)
	<b>110,954,69</b>	<b>59,202,837</b>

\* The estimated value of these works represents the lands that were not sold as of 31 December 2006, with an area of 1,203,000 square meters, according to the decree of the Evaluation Committee of the General Investment Authority, in conformity with the decree of the Chief of the General Authority for Investment and Free Zone No. 4/178 for 2005. The cost per square meter will be increased according to the above estimation based on the costs stated in the income statement upon the selling of these lands. The estimated fees for the Touristic Development Authority for the unsold lands that will be added is amounting to LE 11.25 per square meter.

As of December 2006, the company adjusted the balance of work under progress by an amount LE 24,925,102 in provision for infrastructure completion.

## 11. Assets Held for Sale

Assets held for sale reported in the consolidated financial statement as of 31 December 2006 amounted to LE 5,187,324, representing the value of land and building purchased from Marina (I) Co. for Hotels and Touristic Establishment (one of the affiliated companies)

	31/12/2006   LE	31/12/2005   LE
<b>Orascom Hotels and Development Company</b>	<b>5,187,324</b>	<b>2,452,893</b>

## 12. Affiliated Companies Current Accounts

Affiliated companies shown in the consolidated balance sheet as current assets and current liabilities represent the result of financial transactions including financing or payments on behalf of the affiliated companies as follows:

Company Name	31/12/2006	Company Name	31/12/2006
	Debit   LE		Credit   LE
Orascom Touristic Establishment Company (Aviation)	14,766,164	Egyptian Company for Investment and Development	9,073,623
El Gouna School	11,920,361	El Gouna for Mineral Water	587,219
El Gouna Sporting Club	9,107,948	Affiliated Companies Balances less than LE 500,000	3,244,622
Three Corners Company	19,897,279		
Affiliated Companies Balances less than LE 500,000	15,468,296		
	<b>71,160,048</b>		<b>12,905,464</b>

## 13. Receivables and Notes Receivable (Net)

Receivables and notes receivable (net) reported in the consolidated financial statement as of 31 December, 2006 amounting to LE 700,436,985 is represented as follows:

	31/12/2006   LE	31/12/2005   LE
Receivables	609,515,436	410,422,704
Cheques under collection and notes receivable	99,725,899	94,097,056
Total	709,241,335	504,519,760
Less		
Impairment in receivables	(8,804,350)	(7,499,602)
	<b>700,436,985</b>	<b>497,020,158</b>

## 14. Debtors and Other Debit Balances

Debtors and other debit balances shown in the consolidated balance sheet as of 31 December 2006 amounting to LE 179,820,917 is represented as follows:

		31/12/2006   LE	31/12/2005   LE
Debtors under selling investments	(14-5)	-	30,056,609
Debtors under purchasing investments		11,746,800	-
Other debit balances	(14-1)	93,259,493	52,713,830
Commissions from units sold	(14-2)	8,986,543	16,005,225
Deposit with others		1,459,920	1,386,111
Prepaid expenses		16,895,873	5,548,698
Employees' shares	(14-6)	10,100,000	-
Down payment-Touristic Development Authority	(14-4)	33,739,393	-
Letters of guarantee margin	(14-3)	1,368,175	1,302,745
Employees' loans and cash imprest		2,264,720	1,272,599
Letters of credit margin		-	657,682
Deferred debit interests		-	267,056
		<b>179,820,917</b>	<b>109,210,555</b>

### 14.1 Other debit balances includes the following balances:

- An amount of LE 608,918 equivalent to Euros 81,081 due from the purchaser of the shares of Turtle Company for Hotels and in the amount of LE 7,263,477 equivalent to Euros 967,172 due from the purchase of the shares of El Monera Hotels Company
- An amount of LE 1,754,250 being the amount due from the purchaser of the shares of Captain Hotels Company out of a total contract price amounting to LE 2,400,000 and the necessary procedures are being undertaken to finalize purchasing Captain Hotels Company.
- The company paid an amount of Euro 2,500,000 equivalent to LE 18,099,194 to invest in Club Mediterranean Albion Resort Ltd. representing 11.9% of the company's capital amounting to Euros 21,000,000.

### 14.2

Commissions for sold units (Orascom Hotels and Developments), represent the accrued commissions of these sold units which will be collected from customers when the installments are paid and it is shown by the same amount in the creditors and other credit balances.

### 14.3

The letter of guarantee margin balance shown on the consolidated balance sheet as of December 31 2006 within the debtors and other debit balances includes an amount of LE 600,000 representing the letter of Guarantee issued by NSGB Bank in the favor of Toursitic Ministry as a guarantee to practice the touristic activity related to El Gouna Limousine company amounting to LE 200,000 and Orascom Limousine Company (subsidiary to El Gouna Limousine) amounting to LE 400,000.

### 14.4

The company paid an amount of US\$ 5,760,549 equivalent to LE 33,739,393 to the General Authority for Tourist Development representing 27% of the value of the contracts of the lands with an area of (14.3 million m<sup>2</sup>) while the total area required to be purchased is (24.3 million m<sup>2</sup>). Accordingly the lease relationship between the company and Tourist Development Authority regarding the contracts and final allocation resolutions of rentals was terminated as per the letter sent by the General Authority for Tourist Development.

### 14.5

The company sold 1,012,950 shares representing 4.82% of the capital of the Egyptian Co. for Touristic Resorts, resulting in profits of LE 18,248,388.

## 14.6

On 4 April 2006 subscription was made in 2 million shares in favor of the employees fund according to a preliminary approval from the capital Market Authority on establishing employees fund as per the resolution of the extraordinary General Meeting held on 13 February 2006 allocating 2 million shares to the employees. The necessary establishment procedures are in process.

## 15. Cash on hand and at banks

Cash on hand and at banks shown in the consolidated balance sheet as of 31 December 2006 amounting to LE 377,571,168, is represented as follows:

	31/12/2006   LE	31/12/2005   LE
Cash on hand	1,030,598	904,050
Banks – Current accounts	163,231,405	85,816,435
Banks – Time deposits	173,309,165	54,516,834
<b>Balance</b>	<b>337,571,168</b>	<b>141,237,319</b>

## 16. Provision for Infrastructure Completion

Provision for infrastructure completion shown in the consolidated balance sheet as of 31 December 2006 amounting to LE 15,376,700, is represented as follows:

	31/12/2006   LE	31/12/2005   LE
Orascom Hotels and Development Company	3,600,000	–
Taba Heights Company	11,776,700	42,257,796
<b>Balance</b>	<b>15,376,700</b>	<b>42,257,796</b>

The provision for the land's infrastructure completion is determined based on the estimated studies prepared by the company's management which represents the estimated cost for completion the projects. This provision reduced by actual cost paid on the sold and unsold land until infrastructure is completed.

## 17. Provisions

Provisions reported in the consolidated balance sheet as of 31 December 2006 amounted to LE 18,517,560, is represented as follows:

	31/12/2006   LE	31/12/2005   LE
Orascom Hotels and Development Company	7,200,561	10,053,900
Orascom Hotels Holding Company	5,392,988	7,259,914
Taba Heights Company	5,345,556	1,500,000
Rak Touristic Investment	267,722	–
Misr El Fayoum Touristic Development Company	129,041	–
International Taba Touristic Projects Company	140,869	–
El Gouna Limousine Company	40,823	57,382
<b>Balance</b>	<b>18,517,560</b>	<b>18,871,196</b>

## 18. Banks Credit Facilities and Overdrafts

Banks credit facilities and overdrafts balance reported in the consolidated balance sheet as of 31 December 2006 amounting to LE 165,717,346, and LE 800,000 short and long term respectively, represent the credit banks accounts of the company and its subsidiaries as follows:

### 18.1 Banks Credit Facilities and Overdrafts – Short Term:

	Interest rate	31/12/2006   LE	31/12/2005   LE
Orascom Hotels and Development Company	12.5% - 13% (LE)	163,269,216	54,210,071
Orascom Hotels Holding Company	11.5% - 13% 1 – 1.5 per thousands as bank's commission	2,448,130	34,029,467
Taba Heights Company		–	1,884,103
<b>Total</b>		<b>165,717,346</b>	<b>90,123,641</b>

### 18.2 Banks Credit Facilities and Overdrafts – Long Term:

	Interest rate	31/12/2006   LE	31/12/2005   LE
Orascom Hotels Holding Company	13% + 1.5 per thousands as bank's commission	800,000	3,800,000
<b>Total</b>		<b>800,000</b>	<b>3,800,000</b>

#### Collateral Given (Orascom Hotels and Development)

Shares of Orascom Hotels Holding Company pledged in favor of Misr Bank – Orman Branch.	12,000,000
Shares of Orascom Hotels Holding Company pledged in favor of Abou Zabi Bank.	3,450,000
Shares of Orascom Hotels Holding Company pledged in favor of Commercial International Bank, El Giza Branch	8,823,189
Shares of Orascom Housing Company pledged in favor of National Bank of Egypt	2,000,000
<b>Total Shares pledged</b>	<b>26,273,189</b>

## 19. Suppliers, Sub-contractors and Notes Payable

Suppliers, sub-contractors and notes payable shown in the consolidated balance sheet as of 31 December 2006 amounted to LE 70,165,026 are represented as follows:

	31/12/2006   LE	31/12/2005   LE
Orascom Hotels and Development Company	10,009,670	19,648,110
Taba Heights Company	4,238,177	3,048,421
El Gouna Hospital Company	1,623,478	1,914,897
International Taba Touristic Projects Company	5,103,724	–
First Taba Hotel Company	3,280,491	–
Orascom Hotels Holding Company	29,073,167	25,928,337
Rak Touristic Establishment	16,733,083	–
El Gouna Limousine Company	39,312	402,798
Misr El Fayoum Touristic Development Company	63,924	63,924
<b>Balance</b>	<b>70,165,026</b>	<b>51,006,487</b>

## 20. Creditors and Other Credit Balances

Creditors and other credit balances shown in the consolidated balance sheet as of 31 December 2006 amounted to LE 649,720,662, is represented as follows:

Unearned revenue*	506,660,150	408,064,867
Other credit balances**	110,844,447	246,378,860
Touristic Development Authority ***	7,841,267	28,653,343
Deferred revenue****	3,996,982	12,329,297
Deposits to others	6,685,356	3,163,682
Credit balances – Sawiris family	954,319	1,000,627
Letters of guarantee liabilities *****	600,000	600,000
Bonds' accrued interest	12,138,141	18,178,706
<b>Balance</b>	<b>649,720,662</b>	<b>718,369,382</b>

\* Unearned revenue is represented in the unit whole sale price according to contracts established with customers and is deducted from this item. It is stated as revenue according to the stage of completion and the commission from selling of units due its amount LE 8,986,543 as of 31 December 2006.

\*\* This item includes the following: An amount of LE 335,042 represents the period portion of foreign exchange differences swap contracts issued by the company (Orascom Hotels Holding Company) and outstanding as of 31 December 2006 and charged to the income statement as follows:

Bank	Contract Value	Currency	Transfer Rate	Due Date	Balance
City Bank	16,000,000	\$	5.7752	16/1/2007	264,888
City Bank	750,000		7.3571	16/1/2007	70,154
					<b>335,042</b>

\* On 5 April 2005, the Court of Appeal rejected the lawsuit filed by the company in which the company demands for invalidating the arbitration judgment issued on 22 March 2004 in the arbitration lawsuit No. 227 of 2001 by Cairo Regional Center for International Commercial Arbitration. Such judgment obliged the company to pay to Gergory Company an amount of LE 4,203,369 and Euros 60,410 with an interest rate of 12% as applied by the Central Bank of Egypt. This ruling is put into effect starting from its issuance until full payment. During 2006, the company formed a provision in its books in order to fulfill such obligation with an amount of LE 3,845,457. Such amount was represented in the statement of income on the financial period ending as of 31 December 2006 (Taba Heights Company).

\*\*\* Touristic Development Authority balance represents the accrued installments for lands purchased from Touristic Development Authority, land rents and other accruals due to the Touristic Development Authority.

\*\*\*\* Deferred Revenue shown in balance sheet as of 31 December 2006 which amounted to LE 3,996,82 represent revenue from selling Golf Club and Marina for Taba Hotels Company.

\*\*\*\*\* Letter of Guarantee liability balance as of 31 December 2006 amounting to LE 600,000 representing the liability of Letter of Guarantee issued by National Societe General Bank (NSGB Bank) to the Ministry of Tourist as a guarantee to practice the touristic activity related to El Gouna Limousine Company in the amount of LE 200,000 and Orascom Limousine Company (A subsidiary company for El Gouna Limousine) in the amount of LE 400,000

## 21. Accrued Expenses

Accrual expenses balances shown in the consolidated balance sheet as of 31 December 2006 amounted to LE 28,204,997, is represented as follows:

	31/12/2006   LE	31/12/2005   LE
Orascom Hotels and Development Company	4,519,543	6,435,442
Orascom Holding for Hotels	20,610,440	20,519,432
Taba Heights Company	1,155,827	1,784,909
El Gouna Hospital Company	111,261	87,578
El Gouna Limousine Company	87,465	99,970
Rak Touristic Investment	128,032	–
El Gouna Services Company	41,746	–
El Gouna Paul Ran for Educational Services Company	47,100	44,262
International Company for Taba Touristic Projects	916,724	–
First Taba Hotel Company	517,844	–
Misr El Fayoum for Touristic Development Co.	69,015	–
El Reboue for Touristic Development Company	–	14,000
<b>Balance</b>	<b>28,204,997</b>	<b>28,985,593</b>

## 22. Bonds loan

The bonds loan paid on January 2006 (Short term – First issuances – Orascom Hotels and Development Company) as shown in the consolidated financial statement as of 31 December 2005 by an amount LE 45,714,290 and the pledged shares released to the group bondholders, the bonds loan balance shown in the consolidated financial statement as of 31 December 2006 amounting to LE 200,000,000 long term – bonds loan represented as follows:

Company name	Long term bonds loan due within 1 year	Total bonds loan
Orascom Hotels and Development Co.	100,000,000	100,000,000
Orascom Holding for Hotels Co.	100,000,000	100,000,000
	<b>200,000,000</b>	<b>200,000,000</b>

### 22.1 Bonds Loan – Long Term Portion

#### A. Orascom Hotels and Development Company Bonds

- During 1999, additional bonds have been issued to the public amounting to LE 100,000,000 (One Hundred Million Egyptian Pound) divided into 1,000,000 bonds with par value LE 100 per each (One Hundred Egyptian Pounds). The bond's duration is seven years starting from 27 January 2000 and will be paid in one installment after seven years, the coupon is to be paid semi annually at the ending day of January and July of each year, the interest rate is 12.875% per year. The company issue these bonds aiming to use it to repay some banks loans and credit facilities, as well as financing some new projects of the company.
- There is a general proxy for power of attorney in favor of the bond (Second issuance) holders committee from Orascom Hotels and Development to have a first class mortgage on the company's tangible and intangible assets.
- The accrued bonds – interest (according to the accrual basis) on coupons due up to 31 December 2006 amounted to LE 5,396,917 represent the amounts due on coupon No. (14) from the second issuance, this is due for the period from 1 August 2006 till 31 December 2006. The company is in process to pay the remaining amounts during the next year.
- On 15 January 2007, the Company paid the bond loan for the second issuance, and the company is now in process to release the pledged assets.

#### B. Orascom Hotels Holding Company Bonds

- According to the Extraordinary General Assembly Meeting held on 29 November 1998 approved the issuance of bonds amounting to LE 200 million (Two Hundred Million Egyptian Pounds) with fixed interest rate 13% per year distributed over two issuance of LE 100 million (One Hundred Million Egyptian Pounds) for each.
- First issuance subscription started on 3 September 2000 by an amount of LE 100 million (One Hundred Million Egyptian Pounds). These bonds are nominal, negotiable and unconvertible to shares. Subscription was fully completed and closed on 1 November 2000 with the following guarantees:

#### Irrevocable proxy in favor of the bond holders committee

1. First degree real estate and commercial mortgage on the tangible and intangible assets of Paradisio Hotels Company.
  2. First degree real estate and commercial mortgage on the tangible and intangible assets of El Dawar Hotels Company.
  3. Second degree real estate and commercial mortgage on the tangible and intangible assets of Mokbela Hotels Company.
  4. Pledging the shares of Orascom Hotels Holding Company in the issued capital of Mokebela for Hotels Company until the company's share in Mokebela Hotels Company reaches LE 100 million. The pledging procedures are undertaken so that the total pledged shares will be 699,850 shares instead of 994,350 shares. (After the capital increase of Mokebela Hotels Company and amending the nominal value from LE 55 to LE 100).
- Total financing expenses on bonds related to Orascom Hotels Holding Company for the financial period from 1 January 2006 to 31 December 2006 amounted to LE 9,723,288 recorded in the income statement as a financing expenses. Bonds Coupons are to be paid in 31 January 2007.

## 23. Long Term Loans *(Notes to table on page 60)*

\* Syndicated loan

\*\* According to the contracts conducted between the lending banks, and Acacia for Hotels Company, Orascom Holding for Hotels Company, and S.O.S. Company in March 2005, a portion of loan balance and the interest due to the lending banks in the amount of US\$ 12,305,747, was transferred to both Orascom Hotels Holding Company and S.O.S. Company in the amount of US\$ 7,484,780. Based on this, the loan amount due to Acacia Hotels Company in favor of the lending banks amounted to US\$ 3,500,000, equivalent to LE 28,800,000, which was recorded in the income statement of Acacia Hotels Company in the amount of US\$ 4,820,967, as a credit, equivalent to the amount of LE 27,857,986 recorded under other revenue item.

## 24. Capital

The company authorized capital amounted to 2 Billion Egyptian Pounds, and also the issued and paid up capital amount to LE 590,293,835 distributed over 118,058,767 shares.

On 13 February 2006 the Extraordinary General Assembly Meeting agreed to modify the Extraordinary General Assembly Meeting decisions held on 6 December 2005 to be as follows:

Issued capital increase with a maximum amount of LE 100,000,000 through the process of offering shares in a private subscription by means of the new shareholders at the fair value to be determined by the auditor in order acquire some shares in the companies working in the same field. The meeting also approved the issued capital increase by LE 410,000,000 at the par value of the share and an issuance expenses of 5 pt per share, provided that an amount of LE 400,000,000 of increase to be allocated and distributed over the original shareholders.

On 11 April 2006 the Commercial International Bank issued a certificate to the effect of settling the total value of capital increase amounting to LE 409,244,690 in cash, accordingly the issued and paid in capital become LE 999,538,525 distributed over 199,907,705 shares at a par value of LE 5 each.

The chairman of the General Authority for Investments and Free Zones issued resolution No. 443 / 2006 approving the amendment of some articles of the Company's articles of association pertaining to capital. The total issued and fully paid in capital was annotated in the commercial register on 3 May 2006.

On 12 November 2006, the Board of Directors invited the Extraordinary General Assembly Meeting to convene on 29 November 2007 to increase the Company's authorized capital to LE 5 billion, and to increase the issued capital with 16,095,000 shares, to replace the shares that Samih Sawiris sold to the new foreign investors on 5 November 2006 in the amount of LE 35.86, without realizing any profit or loss. Also, to issue non convertible to shares nominal bonds in the amount of LE 700 million to be used in the restructuring of the Company's financing system. The procedures were not yet finalized.

## 25. Treasury Stocks

The company purchased 1,536,426 shares of its shares during the period from 11 May 2006 till 13 July 2006 in the total amount of LE 44,766,331 the average is LE 29.2 per share provided that these shares should be sold within a year from their purchase date according to the provisions of article No. 48 of law No. 159 / 1981 otherwise the company should decrease its capital by the value of these shares.

## 26. Earnings per share

Earning per share is calculated using the outstanding weighted average number of shares during the year as follows:

	31/12/2006	31/12/2005
Net profit for the year (LE)	293,925,046	166,906,775
Average number of shares outstanding during the year	171,094,376	74,768,594
<b>Earnings per share (LE)</b>	<b>1.72</b>	<b>2.23</b>

## 27. Contingent Liabilities

The Contingent liabilities as of 31 December 2006 represented as follows:

Company Name	Item in balance sheet	Uncovered portion	Letters of Guarantee Margin	Total Letters of Guarantee
Orascom Hotels and Development Company	Debtors & other debit balances – creditors & other credit balances	85,285	87,675	172,960
El Gouna Limousine Company	Debtors & other debit balances – creditors & other credit balances	200,000	–	200,000
Orascom Limousine Company (El Gouna Limousine subsidiary)	Debtors & other debit balances – creditors & other credit balances	400,000	–	400,000
		<b>685,285</b>	<b>87,675</b>	<b>772,960</b>

Orascom Hotels Holding Company (subsidiary of Orascom Hotels and Development Company) guarantee El Golf Hotels Company for the payment of the National Bank of Egypt loan installment and interest from its self sustaining resources.

## Long Term Loans

Company acquiring Loan	Lending Institution	Currency	Interest Rate	Outstanding amount		
				31/12/2006	Long Term Portion of the loan 31/12/2006	
				LE	LE	
<b>Orascom Holding for Hotels and Subsidiaries</b>						
1- Tawila Co. for Hotels *	DIB	* \$	2% (Over Libor) (Every 6 months)	42,568,050	36,287,050	
2- Acacia Co. for Hotels **	DIB	* \$	2% (Over Libor) (Every 6 months)	11,402,415	9,989,000	
3- El Golf Co. for Hotels	NBE	LE	12.5% (Every 6 months)	19,675,039	11,885,851	
4- Marina (2) Co. for Hotels	CIB	*Euro	2% (Every 3 months)	27,530,537	20,923,208	
5- Mokbela Co. for Hotels	NBE	LE	12.5% (Every year)	54,700,003	41,888,000	
6- El Gouna Co. For Hotels	CIB	LE	1.25% (over libor) (Every 6 months)	891,000	-	
	*	MIDB & CIB	* \$	2% (Over Libor) (Every 3 months)	11,189,277	2,137,830
		MIB	LE	12.5% (Every 6 months)	3,404,439	1,215,000
7- Paradissio Co. For Hotels	Delta Bank	LE	14% (Every year)	10,870,169	7,200,000	
8- Rihana Co. for Hotels	NSGB	Euro	2% (Over Libor) (Every 6 months)	22,537,510	17,529,663	
9- El Tabbah Co. for Hotels	CIB	\$	2.5% (Over Libor) (Every 3 months)	6,783,480	3,700,080	
<b>Balance</b>				<b>211,551,919</b>	<b>152,755,682</b>	
<b>Orascom Hotels and Development company</b>	NBE	LE& \$	12.50%	12,227,154	-	
	Misr Bank	LE& \$	13% + 1.5% (highest debt balance commission)	14,021,381	8,890,000	
	CIB	LE	12.5% + 1.25% (highest debt balance commission)	120,714,290	-	
				<b>358,514,744</b>	<b>161,645,682</b>	

Short Term Portion of the long term loan	Collateral Given as per contract
31/12/2006	
LE	
6,281,000	An official first class commercial pledge on the company's premises and all its tangible and intangible assets and an official first class real estate mortgage on the company's land.
1,413,415	An official first class commercial pledge on the tangible and intangible assets of the hotel and a real estate first class mortgage on the land of the hotel and the hotel.
7,789,188	A commercial pledge on all the tangible and intangible assets of the company and a real estate mortgage on the land of the hotel. The company promises to pay the pledges settlement in case of Golf Co. failure to pay.
6,607,329	An irrevocable power of attorney in favor of the bank managing the loan to undertake a first class commercial pledge on all the tangible and intangible assets of the company's premises and an official first class real estate mortgage on the land allocated for building the hotel.
12,812,003	A first class preference real estate mortgage on the land of the company's project in El Akaba bay and all its proposed buildings and facilities and a commercial first class preference pledge on the tangible and intangible assets of the company / guaranteed by Orascom Hotels Holding
891,000	An official first class real estate mortgage, pari passu and pro rata to the shares of the LE nding banks on the plot of land owned by the company in addition to an official first class commercial pledge, pari passu, among the LE nding banks and pro rata to their shares on all the tangible and intangible assets of the company.
9,051,447	A power of attorney to undertake a commercial first class preference pledge on all the tangible and intangible assets of the company's premises and a real estate mortgage on the plot of land owned by the company and the facilities constructed thereupon and a pledge on 33 946 shares of the total shares owned by the company in the capital of El Gouna Co. for Hotels and the related dividends.
2,189,439	Promissory notes of the same amount of the loan amount of LE13,000,000.
3,670,169	Acquisition pledge of the owned by Eng.Samih Sawiris , chairman in the amount of 85 000 shares of the shares of Orascom Construction & Industry shares company , with a loan percentage of 40% and a number of 826,000 shares of the shares of Orascom Hotels and Development Company (previously Orascom Projects and Touristic Development), with a loan percentage of 40%.
5,007,847	Pledging 625,000 share of the shares owned by Eng / Samih Onsy Naguib Sawiris the chairman in the capital of Orascom for construction and Industry as acquisition pledge in favour of bank,the market value for the pledge share 150%from te Egyptian Pound equivalent to financing value.
3,083,400	An official first class preference real estate mortgage on the whole land and building constructed thereon considering that such mortgage shall be undertaken after registering the land at Notarization Authority
<b>58,796,237</b>	
12,227,154	A first class commercial pledge on electronic station No. 5 & drainage station and 2,000,000 shares of Orascom Hotels Holding Company shares .
5,131,381	An irrevocable power of attorney on all assets of the company in El Gouna and an amount of LE50 million, stock balance of Orascom Hotels Holding Company.
120,714,290	With Gurantee of Solidarity Allownce Signed by Eng / Samih Onsy Sawiris as a chairman and a promissory note in favour of CIB bank Amounted to LE75 million signed by Eng / Samih Onsy Sawiris as chairman of the Company .
	Loan with an amount LE45,714,290 From International Commerical Bank in January 2006 with intrest 12% to settle Orascom Hotels and Development bonds , the loan ending in July 3 2006.
<b>196,869,062</b>	

## 28. Capital commitments

Orascom Hotels Holding Company (subsidiary company)

- The total capital commitment for Mokebela for Hotels Company (subsidiary company) as of 31 December 2006 amounting to US\$ 1,447,416, represents the unfinished portion of the Taba Intercontinental Hotel Contract – conducted between the Company and Orascom Hotels and Development Company.
- The total capital commitment for El Tabbah for Hotels Company (subsidiary company) as of 31 December 2006 amounting to US\$ 6,400 represent the unfinished portion of the Tabbah Hotel Contract – conducted between the Company and Orascom Hotels and Development Company.

## 29. Going concern

The accumulated losses exceeded the issued and paid up capital of El Gouna Hospital Company, El Reboue Touristic Development Company, El Gouna Paul Ran Company and El Gouna Services Company. Accordingly, the ability of these companies to continue as a going concern is in doubt; however, the Board of Directors of these companies declares that they are able to continue their activities as a going concern. Despite the excess of carried forward losses over issued and paid up capital and they are in the process of increasing their capitals in these companies. The Board of Directors should invite the Extraordinary General Assembly Meetings of these companies for convention to consider the continuity of these companies as going concern.

## 30. Deferred Taxes

Description	Asset	Liability
Orascom Hotels Holding Company	–	11,042,713
El Gouna Limousine Company	–	107,503
El Gouna Hospital Company	–	105,386
International Taba Touristic Projects Company	–	1,603,557
First Taba Hotel Company	–	1,064,704
Taba Laundry Company	–	409,223
Misr El Fayoum Touristic Development Company	–	2,738
El Reboue Touristic Development Company	681	–
Orascom Hotels and Development Company	253,223	–
<b>Total</b>	<b>253,904</b>	<b>14,335,824</b>
<b>Net</b>	<b>–</b>	<b>14,081,920</b>

## 31. Other Revenues

The balance of other revenues include amount of LE 31,641,934 included the value of the granted discount by the banks or others resulting from the settlement of loans' balances, The company is in the process of restructuring its financial portfolio and uniting its credit facilities for its group companies. This revenue corresponds to its share in the administrative and financing expenses as follows:

Company Name	Bank name	Value of Loan	Paid Amount	Deduction Granted by Bank
First Taba Hotels Company	Export Development Bank of Egypt	18,759,071	14,000,000	4,759,071
First Taba Hotels Company	Misr Bank	39,069,863	30,000,000	9,069,863
International Company for Taba Touristic Projects	Misr Bank	77,813,000	60,000,000	17,813,000
		<b>135,641,934</b>	<b>104,000,000</b>	<b>31,641,934</b>

## 32. Tax Status

### 32.1 Corporate Tax

The Company is enjoying a tax holiday for ten years, according to the Articles of Law No. 230 for 1998, starting from 1 January 1997 according to the tax card of the company. This tax exemption is limited to the Touristic Development Activities. The Company's book was inspected till 2002, and the tax liability was determined and paid and the tax inspection for 2003 and 2004 was done and the tax inspection report will be made by the tax authority.

### 32.2 Salary Tax

The company's books were inspected from inception of operation till 2004. The tax liability was determined and paid in full.

### 32.3 Stamp Tax

The company's books was inspected from inception of operation till 31 December 2004 and the tax was assessed by an amount LE 639,921.

## 33. Financial instruments and its related risks management

The financial instruments of the Company are represented in the financial assets (cash, banks and some of debtors and debit balances), also the financial liabilities (banks credit – over drafts and some suppliers and notes payable accounts).

### 33.1 Fair Value

Except for investments, which fluctuate due to the market conditions, the carrying amounts of these financial instruments represent a reasonable estimate for their fair values at the consolidated balance sheet date.

### 33.2 Foreign Currencies Fluctuation Risk

Foreign currencies fluctuation risk represents the changes in foreign currency rate which affects the payments and receipts in foreign currencies, as well as the valuation of assets and liabilities in foreign currencies. The company pertain to reduce the foreign currency overdraft to reduce the risk to lower level.

### 33.3 Interest Rate Risk

The Company depends on the long term loans and on bank overdraft with fixed interest rate to finance the long term fixed assets and the portion of working capital. This is to avoid the negative effect of the changes in interest rates on its activities and the value of assets and liabilities.

### 33.4 Credit Risk

Credit risk is represented in the inability of customers to pay their debts. The Company is controlling this risk through the property itself by registering the unit after paying all the amount due and contracting with well reputed customers who have the ability to pay debts and by forming provision for doubtful debts.

## 34. Retained Earnings (deficit)

	LE
Balance as of 1/1/2005	(175,987,102)
Transferred from general reserve	49,110,908
Net profit for the year 2005 before adjustments	180,912,724
Adjustments*	(14,005,949)
Other adjustments	7,217,749
<b>Adjusted balance as of 31 December 2005</b>	<b>47,248,330</b>

\* Represents the retroactive addition of a one of its group companies, consequently the group's financial statement were reclassified to reflect the corrected figures, as well as other adjustments.

### 35. Disclosures for Consolidated Cash Flows

The following data represents the principal statements used for issuing the company's consolidated cash flow statement as of 31 December 2006, according to the Egyptian Accounting Standards.

- A. During 2006, the investment was consolidated in the shares of both the International Company for Taba Tourist Projects and First Taba Hotel as follows:

Company Name	Number of Shares	Investment Value	Ownership percentage
International Company for Taba Touristic Projects	55,297	70,943,939	57.6 %
First Taba Hotels Company	627,541	62,845,781	59.57 %

- B. Purchasing was done through increasing the capital of Orascom Hotels and Development Company according to the share's fair value amounting to LE 37.
- C. The cash and cash equivalents balance was amounted to LE 31,626,363 at acquisition date.
- D. Cash flows used in investing activities include the assets and liabilities other than cash and cash equivalents of the purchased subsidiary companies, presented according to the main items as of the acquisition date:

	LE
Fixed assets (net)	307,925,950
Project under construction	315,273
Long term investments	1,554,400
Other assets (net)	3,335,214
Inventory	4,140,917
Due to affiliated companies	1,687,955
Accounts and notes receivables (net)	5,994,801
Debtors and other debit balances	2,233,078
Provisions	(269,262)
Due from affiliated companies	(59,274,624)
Management company current account	(972,710)
Accounts and notes payables	(4,542,362)
Creditors and other credit balances	(4,304,781)
Accrued expenses	(6,497,696)
Long term loans installments due within a year	(20,000,000)
Long term loans	(118,555,414)
Deferred Tax	(818,710)

### 36. Comparative figures

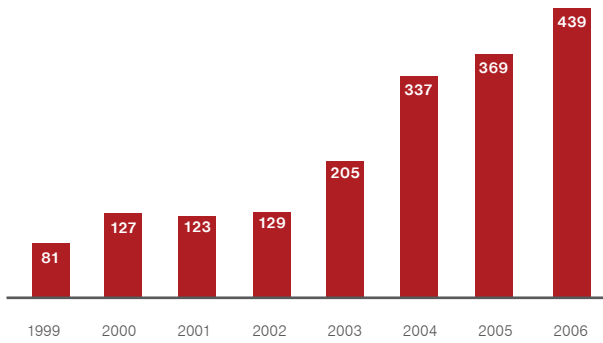
The comparative figures have been reclassified to comply with the current year's presentation. Prior year comparative figures were adjusted to reflect the previous year business results after the retroactive addition of the one of its group companies, as well as other adjustments.



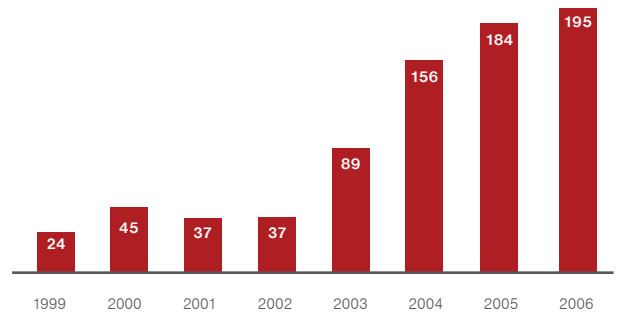


# Hotels - 2006 KPIs

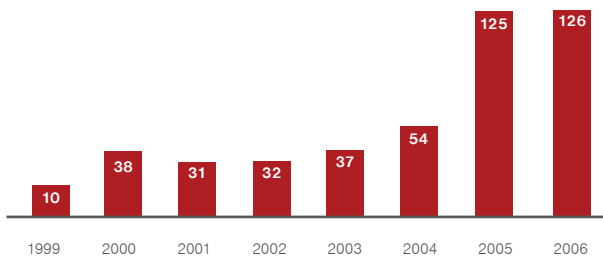
Revenue (LE millions)



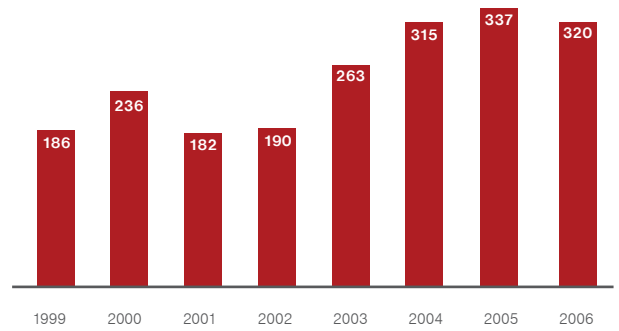
GOP (LE millions)



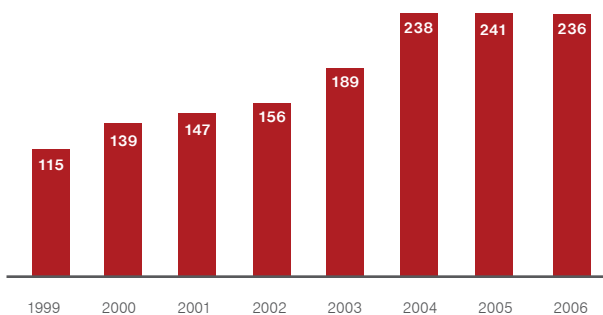
NOP (LE millions)



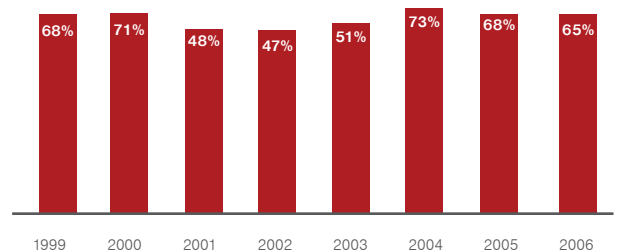
REVPAR (LE millions)



Average Rom Rate (LE / Night)

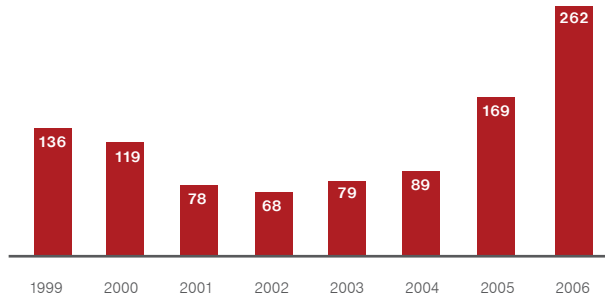


Occupancy Rates



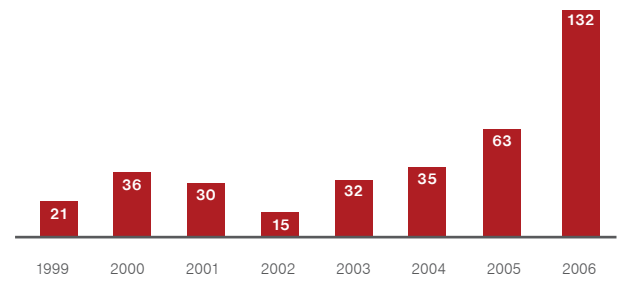
## Real Estate - 2006 KPIs

### Revenues (LE millions)

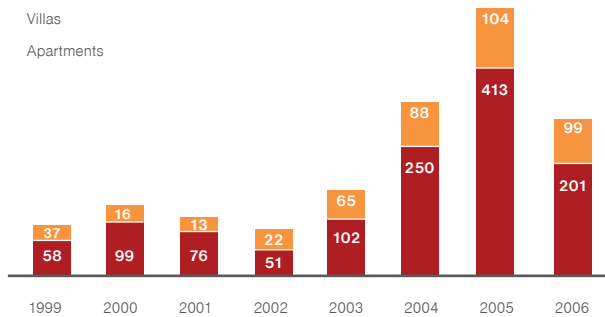


Some years include hotels' construction revenues prior to Consolidation.

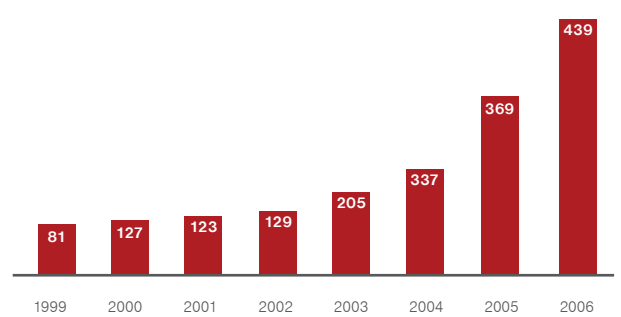
### GOP (LE millions)



### Units Sold (LE)



### Average Selling Price per m<sup>2</sup> (LE thousands)



### Buyers' Nationality (3 years trailing)

